

CSR, Sustainability, Ethics & Governance

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Bernhard Bachmann

# Ethical Leadership in Organizations

Concepts and Implementation

 Springer

# **CSR, Sustainability, Ethics & Governance**

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Samuel O. Idowu, London Metropolitan University, London, United Kingdom

René Schmidpeter, Cologne Business School, Germany

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Bernhard Bachmann

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Bernhard Bachmann  
Eltsville am Rhein, Germany

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# **Foreword by Prof Dr James F. O’Kane, Dean of The Business School, Edinburgh Napier University**

This book contributes to answering the long-standing question: Why is it, that despite all the activities concerning a more ethical and responsible business behaviour, real change seems so slow? This study explains the critical role that leaders and leadership culture play. It will not only enlighten leaders from all managerial levels about how to implement a more ethical and responsible business environment; in fact, it explains the importance of “ethical” leadership, role modelling and integrity, while pointing to the consequences of bad forms of leadership.

If the assumption holds true that CSR and business ethics are becoming increasingly important to organisations, this book is an important contribution by addressing the challenges associated with embedding a more ethical behaviour in organisations. While mainstream CSR and ethics research focuses on regulations and process, this research uncovers leadership and leadership culture as the primary transformational powers for the implementation of CSR or business ethics. Parts of this research formed the basis for a DBA research thesis. Research design and analysis of this study each won the DBA research excellence prize at the Business School’s research conferences in 2011 and 2013, and the doctoral degree was awarded by Edinburgh Napier University in 2016.

The DBA programme of our Business School pursues several goals. First of all, we feel we need more research that reaches and influences practitioners. This can for example be achieved by giving experienced managers the opportunity to undergo a structured doctoral programme. This allows participants to become specialists in their chosen field of expertise while becoming proficient in scientific approaches to analysis. Such rigorous application of research methods within a theoretical framework is needed as a bridge between science and changing managerial realities. While the DBA requirements are equivalent to those of the Ph.D. degree, there are differences: DBAs are challenged in the way that we expect them to go beyond theory. We expect them to use advanced research approaches to address business problems, aiming at developing solutions and breakthroughs that are practical as well as scientifically robust. In order to make sure such research is transforming the realities by contributing to both theory and practice, we

consequently place emphasis on dissemination: we expect our DBAs to publish and to improve their field of expertise with the knowledge and insights they have created.

This book is a perfect example of our endeavours in this kind of research. Parts of the outcomes have already been widely published in business magazines, and the author is transforming organisations applying his research findings. This research points towards new and different directions of ethical leadership and SCR research and, in doing so, is representing the tradition of our business school to elevate research with both scientific robustness and practical impact.

I encourage both researchers and leaders to familiarise themselves with the findings of this study, which touch on many aspects of leadership as well as pointing to the importance of leaders as the key to a more responsible and ethical behaviour.

Edinburgh Napier University  
Edinburgh, UK

James F. O’Kane

# Foreword by the Author

The current Volkswagen crisis seems to act as a proof for many of the ideas which are introduced in this book, discussing why responsible behaviour and ethics are so rare even in companies who seem so involved and active in CSR and the likes. Considering the pressure of goal attainment in highly operational areas, leadership practice is more busy with cost control, performance measures (whether those make sense in the long run or not) and micro-management. Shortly after this research study was finished, the emerging Volkswagen emissions scandal illustrates the *raison d'être* of this book nicely, as the root causes are based exactly on those leadership behaviours as outlined in this study.

As manager and consultant, I have always experienced the impact of actual leadership behaviour on how organisations make decisions and form their culture and climate. Both mainstream CSR and business ethics research, however, widely ignore leadership as a factor in implementing more ethical and responsible business environments. The focus is more on process, regulations and codes, corporate governance and empirical relationships between CSR and corporate financial performance. The role that individual leaders play is more or less completely overlooked or placed with CEO influence only; the CSR literature totally ignores the specific role of leaders in the depth of the organisations.

And despite a huge concern of researchers with business ethics and CSR, mainstream leadership research itself widely ignores ethical leadership approaches and is still more concerned with efficiencies, “techniques” or relationships. Innovations here are for example positivist “leader–member exchange” theories (LMX), but hardly any study looks at role modelling, integrity or ethical leadership theory, the latter being only minimally perceived. Ethical leadership as a means to create a corresponding culture and climate supportive of ethical values is not often considered.

Neither in research nor in practice, ethical leadership is a self-runner, so this research is timely in investigating its role in greater depth. This research is helpful in terms of enabling organisations to understand the contribution of better leadership approaches while offering instruments for their prospective implementation.

This study has the potential to contribute substantially to the use of leadership as a means of transforming organisations into better-governed institutions exhibiting ethical behaviour.

Quite a few people have earned high merits and my thankfulness for the invaluable support I have been offered during the past 6 years of preparing this book. First and foremost, I have to express my gratitude to my wife Michaela and my daughter Eva Selma, who so often found me hiding away in the study. This also goes for my family and friends—will I ever be able to make up the time? Then, I am deeply indebted to the companies who allowed me to interview almost 200 of their employees for testing purposes and in support of the main study, allowing me to search for insights and wisdom deep in parts of their factories that are rarely visited by externals and certainly have never seen a researcher. I would like to express my thankfulness to all these employees who were so open, taking the time to participate in the long and very intensive interviews.

Also, I am very grateful for the team of the Business School of Edinburgh Napier University who supported me during the pilot and main study and who critically read the first outcomes of the studies, namely a successful doctoral thesis. This team, comprising of Dr. Kenny Crossan, Dr. Janice McMillan, Prof. Anne Munro, Dr. Lois Farquaharson, Prof. Robert Raeside, Grant McKerron, Prof. Thomas Garavan and Prof. Kerry Howell, Director of Research of Plymouth University, became a constant source of feedback, guidance and advice. Finally, I would like to thank Christian Rauscher, Economics Senior Editor of Springer Science, for seeing the value of this book and for his feedback.

Eltville am Rhein, Germany

Bernhard Bachmann

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# List of Acronyms and Abbreviations

CC	Corporate Citizenship
CEV	Corporate ethical virtues model (A Multidimensional Questionnaire)
CSR	Corporate Social Responsibility
ELS	Ethical Leadership Scale (A Multidimensional Questionnaire)
ELQ	Ethical Leadership Questionnaire
ELW	Ethical leadership at work (A Multidimensional Questionnaire)
ESG	Environment/sustainability, social responsibility, governance (often called the ESG criteria; basis for the evaluation and controlling of sustainability or CSR programmes)
HRD	Human resource development
HRM	Human resource management
NGO	Non-governmental organisation
OD	Organisational development
PLIS	Perceived Leader Integrity Scale (A Multidimensional Questionnaire)
SME	Small and medium enterprises
SQL	Structured query language

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# Chapter 1

## Business Ethics Are Not Working

Business ethics and approaches to better forms of leadership have been a topic of growing interest for many years (Crane & Matten, 2010; Fisher & Lovell, 2009). Following the internet bubble of 1997–2000 or the 2001 ENRON crisis, with manipulated balance sheets and the lost hope of the ‘new economy’, many market participants and researchers called for behaviour that is more ethical. However, since 2008 the markets have had to deal with another banking, finance and Euro crisis that is still ongoing. Although many thought unethical behaviour of corporations could not get worse, they soon found themselves confronted with new scandals, personal failures of figures like Bernard Madoff and global crises, of which the Deep Sea Explorer and Fukushima incidents were prime examples, which also included government misdemeanour. These also raised questions concerning the efficiency of the control exercised by public bodies. In the wake of the growing number of corporate and public scandals, again interest in leadership ethics rose. Following a growing number of corporate scandals, again interest in corporate social responsibility (CSR) and ethics rose. Business ethics and CSR became popular topics in the media, of interest to journalists and many non-profit organisations formed to promote consumer protection and highlight environmental and transparency issues (Göbel, 2010; Clausen, 2009). These non-governmental organisations (NGOs) are publishing a flood of papers, describing examples of unethical behaviour that are usually difficult for the involved companies to explain, especially for those who pride themselves on their socially positive mission, vision and value statements.

CSR has many definitions as well, and is perhaps also best understood as a process consisting of many building blocks. Since 1950 and depending on social, economic, political and environmental context, many scholarly definitions were developed, but not one serves all purposes (Rahman, 2011). According to Blowfield and Murray (2011), who summarise the existing research, there are currently as many as 147 different approaches and definitions of CSR, touching on leadership, visions and values, or marketplace, workforce and supply chain activities. What they all have in common is that they centre on honesty, integrity, fairness and

sustainability. Organisations try to set these out in standards or codes, policies and expected leadership behaviour. The main aims of these activities are ensuring (social) responsibility, accountability and conduct consistent with these. Managers usually have two questions when faced with the implementation of ethics or CSR (Crane & Matten, 2010; Fisher & Lovell, 2009): whether ‘it pays’ to be engaged in ethics or CSR as an organisation, and how leaders can translate these theories into action; what are the managerial tasks that come with the implementation of ‘business ethics’, ‘CSR’ or ‘ethical leadership’? ‘Business ethics’ is more a name for a state of a discussion or a set of actions or processes currently associated with it in a given context (Lewis, 1985). De Cremer, van Dick, Tenbrunsel, Pillutla, & Murnighan (2011) state that no universal definition is possible, while attempts to do so usually result in evaluations of a moral acceptance of actions.

Summarising the research on this subject, Crane and Matten (2010: 5) give the following academic definition of business ethics:

‘Business ethics is the study of business situations, activities, and decisions where issues of right or wrong are addressed.’

Separating ‘right’ from ‘wrong’ requires an interpretation, and, depending on culture, socialisation and ethical stance, the conclusions can be quite different. What does this mean for leaders, who are no subject matter experts in ethics but need to make decisions? In organisational realities, especially in operational environments, leaders find themselves confronted with many variations of ethical topics.

Without ethical leadership as a companion, the tenets of business ethics will perhaps not come to fruition. This seems an observation particularly valid for highly operational environments: output-focused business units concerned with development, construction, programming, production, healthcare or project management, often providing an environment in which soft skills, (work) ethics, professional leadership and management practices, HR development and employee well-being are neglected. Such business areas are very task oriented, need to comply with many regulations, are strongly measured against goal fulfilment, and are highly output oriented. They are constantly monitored for costs, effectiveness, time to market, output, and many other performance measures which increase the pressure of goal-attainment, making particularly manufacturing a difficult leadership challenge with often underdeveloped leadership skills (Brissimis & Zervopoulos, 2012; Schmoltzi & Wallenburg, 2012; Gleich, 2011; Neely, 1998; Hill, 1993; cf. Bamford & Griffin, 2008).

Based on the professional experience of this researcher, it is questionable that the tenets of ethical leadership have much room for implementation in such environments. In addition, it will be shown, that performance culture and cost mentality are in direct contradiction to ethical leadership behaviour.

The second question concerns how leaders can translate these theories into action; what are the managerial tasks that come with the implementation of ‘business ethics’, ‘CSR’ or ‘ethical leadership’? With so many failed CSR initiatives, this book aims to deliver answers to these pressing questions.

The growing preoccupation with ethics and better forms of leadership has led to previously unknown levels of scepticism. These are targeted against the ‘class of managers and executives’ itself, which has come under general suspicion (Crane & Matten, 2010; Fisher & Lovell, 2009).

Normally, an implementation of business ethics would come in the form of a project concerning (for example) the reorganisation of the sourcing process, an introduction of a code of ethics, a compliance policy, or corporate social responsibility (CSR) projects. Chapter 2 provides an overview of such business ethics processes. The mainstream literature on business ethics and CSR, however, does not look at leadership as the decisive ingredient needed for a real implementation, which influences corporate culture and climate. Leaders are obviously involved when it comes to the understanding, implementation, and following through of these ethical concepts and processes. These concepts of business ethics would require significant change and leadership efforts from the involved leaders. However, the literature is more looking at process, reporting, codes and regulations, ignoring the influence of particularly the middle managers, who act where most ethical dilemmas happen.

Why is it that despite all the activities concerning a more ethical business behaviour, real change seems so slow and many companies decide not to be engaged in the discussion at all (Blowfield & Murray, 2011)? How can we trust our leaders again, become confident that organisations are led in a legitimate way and that leaders use their powers justifiably and ethically?

Research literature often answers these questions by pointing to ‘*leadership ethics*’ (Northouse, 2010, 2013; Shamas-ur-Rehman & Ofori, 2009; Price, 2008) or ‘*ethical leadership*’ as potential solutions (Yukl, 2010, 2013; Dion, 2012; Poff, 2010; Brown & Mitchell, 2010; Mihelic, Lipicnik, & Tekavcic, 2010; Brown & Treviño, 2006; Treviño, Hartman, & Brown, 2000; Craig & Gustafson, 1998). Leadership handbooks (Northouse, 2010; Yukl, 2010) have considerably enlarged their chapters on ethical leadership in their latest editions (Northouse, 2013; Yukl, 2013).

What then is ‘ethical’ leadership? The definition most often referred to in the literature is from Brown, Treviño, and Harrison (2005: 120), according to whom ethical leadership is:

‘The demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and promotion of such conduct among followers through two-way communication, reinforcement and decision making processes.’

A potential weakness in this definition could be that no underlying norms are mentioned; however, in some areas of the world, child labour and sweatshops are such a norm. The definition given here is minimalist, and hence will work for different ethical stances (see Sect. 3.1.1). It is however noticeable that this definition does not explicitly imply ‘ethical’ behaviour, ‘integrity’ or ‘morality’ (see Sect. 3.1.2). Another remarkable point is that leaders, who do not behave unethically, could—following this definition—be described as behaving ethically, as long as they do not behave ‘inappropriately’.

In earlier versions of this definition of ethical leadership, the influence of leaders on the *ethical* behaviour of others, as well as values, honesty, trustworthiness and altruism (Treviño, Brown, & Hartman, 2003), or morality (Treviño et al., 2000) were more prominent. The literature review in Chap. 3 will examine the various theoretical and practical research contributions to ‘ethical’ leadership. Philosophical and cultural stances on norms and values obviously play a role in what is considered ‘ethical’ leadership. However, leaders do not operate in a vacuum. The surrounding operational context and ‘leadership culture’ are under-researched phenomena.

Is it *either* ethics *or* profits and high margins, as Burton and Goldsby (2009) challenge? As business ethics are becoming more important, it would be interesting to learn how ethical leadership can be used to transform organisations into acting more ethically, transparent, and responsible. However, would this approach also work in highly operational environments?

## 1.1 Business Ethics and CSR Are on the Rise

Some very successful corporations still do not place any emphasis on CSR at all. However, the literature suggests that free trade and capitalism in general are currently not delivering on their promises; many of the traditional ways of running and financing businesses and the sources of profits are questioned (Oikonomou, Brooks, & Pavelin, 2012; Bebchuk & Weisbach, 2010). As Biehl, Hoepner, and Liu (2012) and Holland (2011) note, a common understanding is developing: an organisation can be said to be behaving in a socially responsible manner only if its profits do not stem to a considerable degree from

- Short-term actions that ignore sustainability or destroy the environment;
- Mistreatment of its employees (for example by paying extremely low wages);
- Exploiting the supply chain;
- Replacing ingredients with those of lesser or even unhealthy quality;
- Unfair competition.

Potentially, CSR and business ethics are here to stay and they are more than just a trend or a fashion. Financial analysts all over the world are increasingly turning to environmental and sustainability issues, social responsibility, and governance (the so-called ‘*ESG*’ criteria) when judging the performance of public listed companies or potential investment targets.

*ESG criteria*—environment, social responsibility and governance—describe whether a company makes profits at the expense of such issues (Schumacher-Hummel, 2012; Hoepner & Wilson, 2011). ESG measurements analyse whether a firm exhibits poor or short-term orientated leadership or other forms of bad governance, how sustainable its strategy is, if any problems with environmental aspects are to be expected, or whether its reputation or corruption could cause financial problems. Even the finance industry now acknowledges that following these principles is more promising for financial performance in the long term and leads to less

risk for reputation or brand image (Schumacher-Hummel, 2012; Biehl et al., 2012; Hoepner & Wilson, 2011; Holland, 2011). The current Volkswagen crisis is a good example for this loss of capitalisation and brand value.

CSR and ethics become more important, as governments, after decades of liberalisation and privatisation, experience a comeback. There is a strong and growing demand for more governmental regulation and control of companies and markets (Blowfield & Murray, 2011; Crane & Matten, 2010; Göbel, 2010; Clausen, 2009; Fisher & Lovell, 2009). Companies need to react to this—voluntarily at first and later perhaps involuntarily. Sectors such as banking, transportation and energy are already subject to many new such regulations.

Does ‘ethical leadership’ actually exist? It is possible that the existing research on ethical leadership and business ethics can be subsumed under the heading of ‘not yet sufficiently good enough to change practice’, or that the research insights are being ignored, or they are too self-referential, as has been suggested above. Alternatively, it may be that organisations have immense problems implementing ethical leadership and credible CSR. As a first step, this study looks at the roles leadership and corporate culture play in relation to an engagement in business ethics.

The literature review focuses especially on more recent literature because there appear to be significant differences in the research approaches and the intensity of the literature before and after the still virulent finance and banking sector crisis, which began in 2008. Clearly, many members of the research community are much more sceptical now faced with the fact that during a period in which business ethics finally seemed to be a given, realities suddenly were at its worst. In the light of this, practical and critical research on ethical leadership is needed, looking at the actual leadership implications for ‘normal’ leaders and the difficulties and roadblocks of implementing a better operational governance.

As will be shown, the governance perspective adopted in this book is an operational one: here, ‘operational’ governance is exercised by policies and processes, which are predominantly implemented and followed up by middle managers. When the term ‘governance’ is used here, it does not refer to ‘corporate governance’, the control exercised by investors and owners over managers or boards, or the operating legal framework of an organisation (Welge & Eulerich, 2014). These activities are at the heart of leading the operational and structural aspects of the organisation. Governance here is concerned with steering and managing, giving direction in order to attain business or organisational goals. It is the most common level at which strategies are typically broken down and operationalised from a CEO or board perspective. This kind of governance is primarily managerial; it reaches out to the lowest levels in organisations, sets local goals and defines the processes by which these goals have to be met. It is even suggested that unethical behaviour is mainly due to emphasis on such goal attainment (Cohen, 1993).

The question is how leaders can translate these theories into action; what are the managerial tasks that come with the implementation of ‘business ethics’, ‘CSR’ or

‘ethical leadership’? Implementing these activities involves active leadership on all levels, otherwise the organisation will not change; businesses might not change based on issuing ethical declarations. Thus, the next field to look at is governance. ‘Governance’ has many normative and descriptive definitions. In its broadest sense, corporate governance describes how power is exercised over the entities of an organisation (Tricker, 2012).

The growing preoccupation with ethics and better forms of leadership and governance has led to previously unknown levels of scepticism concerning CSR (as mere PR), global free trade, global markets, corporations, greenwashing and the ‘class of managers and executives’ itself, which has come under general suspicion (Crane & Matten, 2010; Fisher & Lovell, 2009).

## 1.2 Business Ethics Are Today’s Order Winning Criteria

Companies are increasingly under observation; they are scrutinised, if not almost investigated, on a regular basis. Many organisations across all sectors have been found to pursue ‘unethical’ practices; as Anheier, Hass, and Beller (2014) note, even NGOs and not-for-profit organisations flagging responsible behaviour are lacking accountability and transparency. According to Sama and Casselman (2013), the fair trade movement is criticised for being more a marketing effort than developing fair production in the countries of origin. Even the World Wildlife Fund is criticised for not being efficient in pursuing their goals, sacrificing their goals for sponsorships (Huisman, 2012; Robinson, 2012).

Management research is reacting to this; there are several academic journals with a primary focus on issues around business ethics. Albrecht, Thompson, Hoopes, and Rodrigo (2010) have argued that business ethics researchers prefer to publish in these journals, which leads to less reception by followers of mainstream management academic journals. There is the danger, according to Schumann (2001), further confirmed by Chan, Fung, and Yau (2010), that the outcomes of business ethics research are known mostly to a specialist community, rather than the whole of business academia. McManus (2011) posits that insights from the vast body of research on business ethics have not really made their way into the business world. On the contrary, for McManus, the recent corporate scandals seem rather to suggest a decline in business ethics, making it clear that leaders of corporations are still not meeting their moral obligations. Organisations do not simply become more ethical by board strategy or running a programme; normally, organisational culture and climate need to change. This involves a lot of effort and energy and is not for the undecided. There is an ongoing discussion as to whether business ethics are just business trends or ‘flavour of the month’ projects with no real value. Many executives refuse ethics programmes, having objections concerning real added value and growing costs, while some perceive business ethics or CSR as mere PR

(Blowfield & Murray, 2011; Crane & Matten, 2010; Göbel, 2010; Clausen, 2009; Hind, Wilson, & Lenssen, 2009; Fisher & Lovell, 2009; Murphy, 1988).

As an outcome of this debate, it can be discerned that the overarching trend culminates in the view that companies are increasingly measured on the basis of sustainable profits and the quality of their long-term performance. Financial analysts are increasingly turning to environmental and sustainability issues, social responsibility, and governance (the so-called ‘ESG’ criteria) when judging the performance of public listed companies or potential investment targets. Sustainable profit margins and stability are now considered clear outcomes of such forms of better governance and leadership (Biehl et al., 2012; Hoepner & Wilson, 2011; Holland, 2011). ESG criteria—environment, social responsibility and governance—describe whether a company makes profits at the expense of such issues (Schumacher-Hummel, 2012; Hoepner & Wilson, 2011). ESG measurements analyse whether a firm exhibits poor or short-term orientated leadership or other forms of bad governance.

Ethical leadership is not only believed towards the establishment of a more ethical organisation, but also towards a more efficient organisation (Walumbwa et al., 2011). However, the concept of ‘ethical’ leadership is unknown to many organisations and might be perceived as a ‘trend’ project. However, even the finance industry now acknowledges that following these principles is more promising for financial performance in the long term and leads to less risk for reputation or brand image (Schumacher-Hummel, 2012; Biehl et al., 2012; Hoepner & Wilson, 2011; Holland, 2011). Potentially, business ethics are here to stay and they are more than just a trend or a fashion.

How can leaders translate business ethics into action; what are the concepts and managerial tasks that come with the implementation of ‘business ethics’ or ‘ethical leadership’? Implementing these activities involves active leadership on all levels. To deliver answers, practical and critical research on ethical leadership is needed, looking at the actual leadership implications for ‘normal’ leaders and the difficulties and roadblocks of embedding better leadership.

### **1.3 Why Is Progress in Business Ethics so Slow?**

Concerning the research aims and objectives of this research, this study wants to overcome the effect that ethics research insights are both ignored and may lack dissemination in being too self-referential (Chan et al., 2010; Schumann, 2001). Alternatively, it may be that organisations have immense problems embedding ethical leadership which are not described and analysed enough. The aim of this research, operationalised by a set of research questions formulated in Sect. 3.6, is to learn whether, and how, theoretical and conceptual frameworks behind ‘ethical leadership’ mirror or reflect corporate realities, particularly in operational environments. How, learning from this analysis, could ethical leadership potentially be embedded in organisations?

As shown in the literature review, this focus is neglected in extant research. Whereas much is written on the principles of ethical leadership, governance structures and policies from a CEO or board perspective, little is written about the influence of middle managers (those concerned with ethical dilemmas on a daily basis) and how to implement ethical leadership in organisations. Different leadership structures within a variety of organisations make such comparisons difficult. Comparative case studies would not be able to control these influences and separate them from perceived leadership issues. As laid out in Chap. 5, a viable approach for primary research to close the defined research gaps is therefore to look at one particular company in depth—ideally a factory, as this is a highly operational environment—and to construct a suitable sample of individuals, analysing how these individuals, both workers and leaders, perceive leadership within this organisation. In order to examine these relationships, this study pursues the following research objectives:

1. To critically analyse the research on ethical leadership and its relationship with corporate and leadership climate and culture, implementation and change.
2. To develop and deploy a suitable research framework.
3. To identify a suitable organisation within an operational environment.
4. To construct an adequate sample and to examine the perceived realities of leadership within all levels of this organisation.
5. To identify and deploy a suitable research design and data retrieval approach to obtain needed data.
6. To conduct the analysis.
7. To identify the leadership issues within this organisation:
  - How context issues come to exist and how they are perceived;
  - Whether there is evidence of ethical or unethical leadership behaviour;
  - How operational context influences the leadership approaches;
  - How leadership actions form a leadership climate;
  - How leadership climate influences corporate culture and climate.
8. To adopt a critical approach to linking the findings back to the reviewed literature, matching the existing ethical leadership concepts with the corporate realities found.
9. To discuss unexpected aspects and new emerging leadership issues from the findings in relation to recent research literature.
10. As an outcome of this learning, to develop strategies and frameworks which leaders can deploy to support better forms of leadership, potentially by implementing ‘ethical’ leadership.

Understanding these influences will form new knowledge with a solid scientific underpinning, serving as a basis for the formulation of practice-based conceptual frameworks, which will help organisations to control these influences.

## 1.4 Structure of the Book

This research aims to contribute to both theory and practice. This introductory chapter describes the context in which the research takes place and the underlying assumptions, setting out the research aims, objectives and scope of the study. Chapter 2 provides the building blocks, which for most organisations are the fields of actions when concerned with the implementation of business ethics or CSR. This research study has to operate under various limitations:

- Limitations in the methodology (see Sect. 4.8).
- Limitations based on research design, chosen methods and a single source bias (Sect. 5.2) and finally,
- Limitations originating from actual findings, missing or biased data,
- Interpretations, and other contextual and influencing factors (Sects. 5.4 and 8.2).

These sections critically discuss the limitations and their nature as well as the remedial measures and actions, which have been undertaken in order to control and mitigate these limitations.

The literature review in Chap. 3 critically discusses the current state of research in this field, the theoretical background and the foundations of the concepts of ethical leadership and culture, as well as looking at implementation and embedding issues.

Chapter 4 addresses the author's experience and position, the research philosophy and methodology, and how research methods and design were developed.

Chapter 5 then discusses how the research design has been tested and adapted to reflect organisational realities. The chosen qualitative research approach is explained and the concept of inductive categorisation is introduced. Next, the chapter describes how the data have been collected, analysed, organised and interpreted. The chosen sample and its stratification are discussed, as are considerations in terms of research ethics.

Chapter 6 presents the findings, introducing the specific issues arising from the analysis. Chapter 7 critically discusses the interpretation of the findings and matches these with the theoretical concepts from the literature review. It also discusses emerging findings in the light of recent research.

Closing Chap. 8 provides a discussion of the conclusions and implications derived from the findings, and how these relate to the original research questions. This chapter also describes the limitations of the chosen research approach and introduces suggestions and potential areas for further research. Contributions to both theory and practice are examined.

This research is timely in terms of helping organisations to understand the contribution of better leadership approaches and offers instruments for their prospective implementation. As the closing section of this chapter will demonstrate, this study has the potential to contribute substantially to the use of leadership as a means of transforming organisations into better governed institutions, which exhibit ethical behaviour.

## 1.5 It's Leadership, Not Regulations and Process: Contributions to Management Science and Practice

This work seeks to contribute to improvements in the leadership culture of institutions wishing to develop ethical leaders. Through an analysis of the leadership culture in an operational environment, this primary research can make an original contribution to recognised knowledge gaps as laid out in Chap. 3 by:

- Broadening the limited research of ethical leadership concepts within organisational realities, particularly in operational environments;
- Contributing to research by supplying a focus on transformation and change when embedding ethical leadership;
- Contributing a focus on the role of middle managers and the importance of role modelling;
- Applying and creating greater awareness for the interviewing method of inductive categorisation;
- Gaining knowledge on perceived leadership in operational environments;
- Creating greater awareness of leadership as a means of implementing CSR or/and business ethics interventions as a research field;
- Pointing to leadership culture as a means of changing organisations and enabling a real implementation of CSR interventions;
- Creating greater awareness of corporate realities and contextual influences in leadership research.

This book can also make a real and significant difference to the operational practice of managers and leaders concerned with the goal of embedding and implementing better leadership by:

- Raising the focus on perceived leadership and creating awareness of leadership culture and climate, particularly in fast-paced, operational environments, which are often neglected in HR development schemes;
- Pointing to leadership culture as a means of changing organisations and enabling a real implementation of interventions;
- Developing a conceptual framework enabling the analysis of the status quo and potential implementation of better forms of, or ethical leadership;
- Establishing greater awareness of the relationships between leadership, leadership culture and climate, and how these can be used to achieve better and more ethical forms of leadership and governance.

If the assumption that business ethics are becoming increasingly important to organisations holds true, by analysing factors that hinder or support their implementation, this research study is a beneficial contribution in addressing the challenges associated with embedding more ethical behaviour in organisations.

Before the literature is analysed and reviewed, the following chapter looks in a pragmatic way how business ethics interlock with CSR, and how those “building blocks” of a CSR or ethical nature can actually be implemented in organisations.

At this point, however, it is important to notice, that this research is based on the assumption that not process and rule books are making the difference for a successful implementation, but leadership behaviour and how this forms the leadership climate.

## Chapter 2

# The Implementation of Business Ethics Explored: 11 “Key Themes” or Building Blocks

How are “business ethics” implemented? Normally, ethical questions come from different parts of the organisation. “Ethical” or any leadership approach hence must focus on these “building blocks”.

Based on the writings of Blowfield and Murray (2011), Crane and Matten (2010), Göbel (2010), Fisher and Lovell (2009), De George (2009), and Clausen (2009), the concepts of business ethics and CSR programmes can be compiled and structured into 11 overarching themes or building blocks. These areas of concern are all uniquely important and can thus be described separately from each other. The following paragraphs summarise the research in the field of business ethics; unless otherwise referenced, all authors share the same view and all generic material regarding the 11 themes is drawn from the above referenced body of literature.

These 11 themes are separate topics that would require significant change efforts and adequate leadership efforts from the organisation wishing to implement one of more of the themes.

For example, a company wishing to look into improving the supply chain according to CSR or business ethics standards is likely to put its sourcing strategy to the test. This usually involves the willingness to pay more, which is in contradiction with the usual cost and competitiveness discussion as well as to the classical shareholder value philosophy. This can imply—among many other issues—the control of ethical issues such as sweatshops. It also requires looking into the suppliers of the suppliers, which results in changing the contract work. It could mean looking for a more local, different, better, safer, or fairer production. All the processes involved need implementation, contracting work, and leadership efforts. It is the purpose of this chapter to introduce these 11 themes, because it is in the form of these ‘building blocks’ that organisations implement CSR or business ethics concepts or interventions. Normally, an implementation would come in the form of a CSR project, the introduction of a code of ethics or a compliance policy, or a new corporate governance model, to name a few examples. However, looking at the practice of this researcher, any sizeable CSR project, depending on the size of

the organisation, will be operationalised in several, if not all, of the following 11 main themes. Approaching CSR implementation this way (instead of writing generic codes or regulations) has already led to some successful implementations.

## 2.1 Ethical Theory and Values

While this theme is not something foreseen for an ‘implementation’, it is a basis for understanding business ethics and is usually an initial part of ethics education and training. In addition, many executives and business owners are interested in understanding ethical philosophy. Underlying values are an extremely important foundation for this building block; ethical thinking is often philosophical thinking as well. While a lot of ethical thinking is based on culture and common values (e.g., religious values, morals, and a common philosophical understanding based on cultural heritage), a lot of this gets washed away under economic pressure, short-termism, and shareholder value thinking, especially in a globalised business environment.

The role of local law and morality and the individual considerations and interpretations of this form the context of ethical theory, based on different philosophical schools of thought, and, important for conducting global business, different cultural backgrounds. Cross-cultural business only functions when employees are made aware of these cultural differences. Copyright issues, for example, are viewed very differently depending on whether you come from a European or Asian business background. Really, as Crane and Matten (2010) state, business ethics often start where the law stops. There are many grey areas, mostly defined by the way one has learned to think about morals, values, and which philosophical and political belief systems are the underlying norm. This building block touches, for example, on the creation of corporate vision, mission, purpose, and value statements as well as the foundations of corporate culture.

## 2.2 Sustainability: The “Triple Bottom Line”

Sustainability deals with meeting the needs of the present without sacrificing the needs of future generations. It refers to the long-term maintenance of systems according to environmental, economic, and social considerations (Crane & Matten, 2010)—the often cited ‘*triple bottom line*’. Any ‘economic’ value (or profit) therefore needs to be balanced and offset against environmental value and social value; these three ‘calculations’—partly referred to as *social accounting*—thus form the triple bottom line. Unsustainable businesses achieve gains in one of these three ‘balance sheets’ by making losses in one or both of the other two. This is typically seen as sacrificing environmental and social considerations for a higher profit,

shareholder value thinking, or the fact that the business model would not work if these factors were priced into the equation.

There are many initiatives in this area, such as the Global UN ‘Local Agenda 21’ and the UN Global Compact, which is a set of expectations based on business ethics that aims to contribute to making the triple bottom line of sustainability the preferred business model in modern society. Sustainability thinking, it can be argued, is concerned with disestablishing exploitation—not only of the environment, but also of people and of society. It wants to avoid short-term gains at the cost of long-term relations. Finally, sustainability looks at social perspectives and aims at responsible behaviour.

### 2.3 Governance: Aiming at ESG Criteria

The governance theme of business ethics deals with responsibility, transparency, control, compliance, regulations, laws, and accountability. Business ethics, in regard to public governance, are concerned with ‘democratic accountability’—and with ‘corporate accountability’ in regard to private governance. Ideally, high levels of transparency are aimed at in both cases.

Today, as this book will elaborate, operational governance is what corporate governance need to look at, if it wants to achieve changes in the organisation. In addition, as Sect. 1.2 has described, governance needs to be concerned with the implementation of an organisation that is following the ESG criteria.

Many facets of corporate governance are being researched, whether codes of ethics work or the ISO 26000 framework on global social responsibility (ISO, 2010) has an impact. In addition, executive remuneration and stock options are debated. Following the finance and Euro crisis, it is discussed how much involvement and regulation is needed by central and national banks in order to control the finance and banking sectors (Göbel, 2010; Clausen, 2009). Corporate Governance is also the area where the ancient question is posed: *Quis custodiet ipsos custodios* (who controls the controllers)?

Ethical theory has always addressed the dilemma of proper governance and responsibility. The German social scientist Beck (1988) coins the term the ‘Risk Society’. These societies are, for example, prepared to run nuclear power plants without really being able to cope with the risk or handle the residues. Beck also formulates the problem of ‘organised irresponsibility’ (Beck, 1988): he describes how, despite all compliance rules, controls, regulations, and the other applied mechanisms of governance, it would prove almost impossible to find someone who is responsible for his or her actions. Incidents such as Fukushima, Deep Sea Explorer, the banking crisis, and other scandals seem to illustrate the existence of such a fundamental problem. There are many leaders, executives, and officials in charge, but often no one is responsible or can be held accountable.

It can be argued that the banking industry has become a sector of ‘risk companies’ that pursue their profits at the risk of being in constant danger of bankruptcy by

issuing high risk investment certificates or failing due to uncontrolled trading or faulty mergers. There is evidence that the governance system is not functioning as it should (Crossan, 2011). As Crossan (2011) also points out, governance is a combined effort. Businesses and accounting education, accounting bodies, and codes of practice and regulations might be jointly needed to change corporate governance in order to make it more efficient.

Governance, as a consequence, plays a very important and decisive role in the concept of business ethics (Clausen, 2009). There are several schools of thought. While many researchers seem to imply that ethical behaviour is guided and informed by intrinsic values, others suggest formal regulations to enhance compliance. Codes of ethics, for example, can be designed either to provide preferences and incentives or to be restrictive and sanctioning. In both cases, Talaulicar (2007) proposes that ethics training and audits can enhance how codes are followed, although his research shows that preferences based on norms work better than restrictions and sanctions. By contrast, Svensson and Wood (2011) argue that formal ethical structures are needed in order to improve ethical behaviour. To them, the effects of ethics education or ethical performance appraisals are overlooked or even ignored in contemporary research.

They suggest that governance is established by codes of ethics and formal structures. Leadership is needed to uphold and follow up on these structures, but Svensson and Wood do not consider leadership at all.

‘Rules or values’ is a subject of much debate; Mihelic, Lipicnik, and Tekavcic (2010) conclude that a code of ethics is not sufficient for the implementation of ethical behaviour, but that it still improves financial performance. Many such projects were, and still are perceived as mere corporate rhetoric or PR (Blowfield & Murray, 2011; Crane & Matten, 2010; Göbel, 2010; Clausen, 2009; Hind, Wilson, & Lenssen, 2009; Fisher & Lovell, 2009; Murphy, 1988). Quite a few studies seem to view codes of ethics as a means of communication, not a set of rules. Such codes, mission statements, and communications reinforce corporate values; the communication of the desired norms is essential if organisations want them to be followed (Van Zolingen & Honders, 2010; Ardichvili, Mitchell, and Jondle, 2009; Talaulicar, 2007). However, Talaulicar (2007) raises the question of whether codes of ethics actually change behaviour.

Helin and Sandström (2008) raise the point that codes of ethics can come from different legal systems and cultural backgrounds. In their study, an example of a US code of ethics was not accepted in the Swedish part of the corporation due to cultural differences and different legal backgrounds. Furthermore, the code divided the company into ‘us’ and ‘them’. The authors state that stories from the field are rare and that more studies are needed that look at cross-cultural differences and the resulting negative effects. However, their study also completely ignores the kind of leadership applied to implement this code of ethics.

When the owners of a company exercise more control, managers behave differently (Crossan, 2011). Exercising control is a leadership issue. It is remarkable that few studies seem to be interested in individuals dealing with the communication of values and the implementation of codes of ethics, even though this is mainly a

leadership issue. Writing and printing a code of ethics has potentially no effect if the management layers within an organisation do not support it, as Helin and Sandström (2008) summarise.

Only with such support are training or appraisals beneficial. Governance is closely related to controlling and responsibility. It is surprising that leadership aspects attract little research attention.

One important aspect of corporate governance and the most popular theme from the business ethics concept is perhaps CSR.

This concept is introduced in the next paragraph. Blowfield and Murray (2011) even suggest that business ethics are actually a subtopic of an overarching CSR theme.

Currently, there are strong desires for business ethics, CSR, and fair trade organisations to enter the attractive market of the certification business. While the ISO group initially developed ISO 26000—the standard on social responsibility—with the clear intention that *this norm must not be a certifiable standard* (Val, Zinenko, & Montiel, 2011), many firms would still like to be certified. There are *voluntary* activities such as the UN ‘Global Compact’ standard with its framework of ten binding obligations and an annual report (Rasche & Gilbert, 2012). However, certifications seemingly have more marketing potential, and as Manasakis, Mitrokostas, and Petrakis (2013) report, both corporations and certificate providers seeing market potential are pushing the issue. However, the question remains of how one can possibly certify ethical and honest behaviour. This researcher has the view that honesty and an ethical stance are not certifiable. This is based on the subjective experience of this researcher that exactly those organisations among the client base that have the most quality and management certifications on their stationery are particularly poor at applying these very processes. During certification audits, these processes are under everyone’s attention; after the certification, the processes go back into the drawers and are by no means adhered to. Certificates do not mirror the reality and do not testify to it either. Again, the clear difference is, whether leaders adopt the ideas behind the certificates, or not.

## **2.4 Responsibility and Society: Corporate Social Responsibility, Corporate Citizenship**

Rasche (2010) states that ethics, compliance, and Corporate Social Responsibility (CSR) codes are generally problematic. As a ‘law’, they cannot function, eventually resulting in moral mediocrity. Their voluntary nature gives them a character of ‘soft’ law solutions. They have more a discretionary responsibility than a legal one (Boddy, Ladyshevsky, and Galvin, 2010).

Thus, CSR could be a code, a set of rules or principles, a suggestion, or activities carried out on a regular basis. CSR lacks a clear definition, as it draws from many themes of business ethics (stakeholder thinking, responsibility, social aspects,

sustainability, etc.). It is a concept under which organisations identify stakeholders, social aspects, environmental aspects, and the rules of how interactions with stakeholders groups in regard to these social aspects take place. ‘Corporate Citizenship (CC)’ for example describes an organisation actually, not ideally, acting like a citizen, solving social problems in the local environment, and using employee volunteering, donations, and sponsoring.

Knippenberg and de Jong (2010) look at 80 research studies in the field of CSR and find that in none of the reviewed studies does leadership play a decisive role in the implementation of CSR. The authors conclude that a precise definition of a ‘CSR concept’ is still lacking. This chapter therefore gives an overview of the building blocks typically part of CSR projects. Without supporting leadership activities on all levels, these concepts cannot be implemented.

Hind et al. (2009) find that CSR initiatives are often met in a cynical way or are perceived as PR and ‘window dressing’. Arvidsson (2010) describes that many companies still do not see CSR as a value-creating activity. Coming from being ‘responsive’, i.e., responding to social pressure or preventing legitimacy concerns from growing, CSR now turns to looking at how ‘responsible’ companies are, thus focusing on building legitimacy. This is also a reaction to the growing power of consumers and clients.

As mentioned, research has identified many cases of managerial resistance to the ideas of CSR (Boddy et al., 2010). One possible explanation for the slow implementation of CSR is that many companies are finding it quite hard to meet the expectations that come with CSR, as it can affect the underlying business model. Firms, as rational actors and organisations, have no interest in moralising themselves, as this would lead to moralising the market. However, this is precisely what seems to happen. The focus of CSR broadens more and more.

For example, ‘social accounting’, a CSR discipline related to the topic of ethical responsibility, looks at how food retailers make profits (at whose cost?), taking employee wages, the destruction of small shops and suppliers, the domination or exploitation of food producers, the quality of the food, and the consequences for consumer health into consideration. Environmental aspects are also part of the equation. Poff (2010) states that CSR is only deployed by companies if it makes business sense to do so; it remains voluntary and market-driven, and it is *not an internal wish* of companies. Her referencing stops in 2006, it must be noted; however, Blowfield and Murray (2011) summarise more recent studies stating that CSR has meanwhile become a mainstream issue and thus generally a more accepted activity.

D’Amato and Roome (2009) state that further research is needed to shed light on the factors that limit or support CSR practices and an according leadership culture. Again, all of these factors supporting a CSR initiative and its implementation seem related to leadership. Lin et al. (2010) list factors for successful CC initiatives. These need social identity, resource allocation, and a perception of integrity. Negative effects occur when a company is felt to treat external stakeholders better than its own employees, or when CC is communicated as practice, but no resources are allocated. When employees internalise such values, this strengthens a

CSR-oriented culture, as does communication regarding such social activities. However, without leaders support, internalisation or communication are not likely to happen.

Mostovicz, Kakabadse, and Kakabadse (2011) conclude that the Deepwater Horizon event in April 2010 illustrated the limits of CSR programmes, as the involved companies, BP, Transocean, and Halliburton, all had such programmes in place, partly even award-winning ones. The US authorities charged with controlling these organisations and regulating the oil drilling industry were simply receiving data and policies, but in no way challenged or tested them. There was no functioning public or corporate governance. The authors posit that corporate values are only as good as the personal attributes of the persons working within the system. Corporate responsibility thus requires the qualities of leadership, ethics, personal responsibility, and trust.

CSR principles are in no way effective at preventing even worst case incidents (Mostovicz et al., 2011; cf. Boddy et al., 2010). It is also noteworthy that many ethical scandals and incidents are international, sometimes even global; however, local management levels are always involved, which must lead accordingly in order to prevent such incidents. Corporate governance, at least in CSR matters, will need to become local governance in order to ensure compliance. More local control is needed, and an according leadership based on principles seems a better approach to achieve this than international regulations.

## **2.5 Globalisation: Blessing or Curse?**

Business ethics have a lot to do with issues of globalisation. Globalisation encompasses economies, markets, industries, and strategies and is a huge challenge for modern management, a ‘blessing’ opening chances as well as a ‘curse involving many risks’ (Stonehouse, Campbell, Hamill, and Purdie, 2004). Globalisation drivers affect markets, sourcing and access, cost dimensions, government regulations, and the competition (Yip, 1992). Global sourcing forms the background to many ethical debates circling around bribing, corruption, child labour, low wages, subsidy skimming, pollution, the misuse of power relations, the exploitation of e.g., banana, coffee, cocoa, and wheat producers, supporting dictatorships, and many more aspects. There is a moral debate regarding whether companies such as Nike should be allowed to have such high profit margins, as they are known to charge premium prices for cheaply produced products. Nike is known for opening new factories in the most underdeveloped nations, usually closing them after the second round of wage improvements and moving them elsewhere to avoid more costs, therefore preventing development and growth in the region of the producers. Sourcing thus becomes an important part of the globalisation aspect. The ‘fair trade’ approach, part of these considerations, is designed to develop producers by assigning fair terms and conditions and proper pricing, as opposed to taking the profits away from producing countries, allowing large trading corporations and

chain food stores to benefit in what is perceived as being unfair, or out of proportion, ways. Other issues in this debate are tariffs and tolls, commercial treaties, economic unions, import and export regulations, environmental considerations, and the development of democracy.

For Voegtlin, Patzer, and Scherer (2012) and Carroll (2004), globalisation is the main reason for ethical debate and CSR. Weighing home-country against host-country ethical standards seems to be the most pressing issue for managerial decisions and practice, leading to many ethical dilemmas. Decision-making, as a consequence, is the next main theme of the business ethics concept.

## **2.6 Ethical Decision Making: Values, Facts and Ethical Dilemmas**

As stated before, many ethical considerations operate in a vacuum, where laws do not play a role. The issues are usually complex, often global, and are naturally discussed in highly competitive environments. On the one hand, this has to do with values; on the other hand, it is about how efficient decision-making processes work and if these are based on principles and rules.

Depending on the ethical stance and philosophy in a given company, based on culture and experience, many decisions that can be made (and have been made) are bad for customers, employees, and often both. Ethical issues and decisions can be normative, consequential, or utilitarianist, for the benefit of as many persons as possible. Sparks and Pan (2010) look at how managers make ethical judgments. While more than half of the 185 empirical studies published between 1996 and 2003 list ethical judgments as a dependent variable, there is no consistent definition of the concept, i.e., how persons make a choice about ethical judgments.

Eckhardt, Russell, and Devinney (2010) write that economic reasons play a role for managers in a business context; there is always the fear of losing a job and the financial security with it. Dean and Sharfman (1996) find that procedure, rationality, and political behaviour influence decisions as well; in particular, corporate politics harm good decision-making. Yet again, leadership was not part of the research. Further, the study does not explain how a rational, perfect decision-making process deals with ethical dilemmas.

Although Pfeffer and Sutton (2000, 2006) took the concept called ‘data and fact-based management’ from medical analysts and pointed out the relevance of this concept for policy and decision-making in the business context, ethical dilemmas are rarely based on pure facts, but also on a moral dimension based on values.

In particular in medicine and healthcare, ethics and cost of health are important sources of ethical dilemmas. Facts and data can only prepare a case for a decision so much; values, applied ethics, and the cultural context are also important dimensions. Ethical leadership and ethical culture, in this respect, are suggested as subjects for further research. Pimentel, Kuntz, and Elenkov (2010) is one of the few

studies to link ethical decision-making to the individual and his or her ethical stance as well as to the ‘ethical compass’ the organisation provides. Furthermore, an ethical culture in an organisation is formed by processes that ensure ethical conformity and a leadership with value-based ethics. Pimentel and her colleagues conclude that forming an ethical climate is important for resolving the ethical dilemma. It is the leaders who make the decisions; leadership, organisational culture, and values as equally important as, for example, codes, CSR policies, or decision-making rules and processes.

Business ethics, as has shone through repeatedly, are concerned with identifying various stakeholder groups, the subjects of decisions, and the potential beneficiaries or sufferers of the outcome of the decision-making process. Stakeholder management therefore forms the next main theme.

## 2.7 Ethical Stakeholder Management

As Yukl (2010) describes, the conflicting interests of different stakeholders and their competing values are the world of executives and leaders. Knowing the various stakeholder groups, including their interests, expectations, and needs, is an important part of leadership and of proper decision- and policymaking as well as for planning CSR or CC activities. Sustainability projects and all other considerations must reflect who the stakeholders are. As Parmar et al. (2010) put it, stakeholders are at the centre of where capitalism and ethics potentially connect.

Business ethics discuss the level of responsiveness and capacity to responsibly act in regard to any problems encountered with stakeholders.

This includes whether a company reacts at all, how it defends stakeholders and/or accommodates them, how proactively it does this, and how it communicates.

Stakeholders can be owners, employees, neighbours, suppliers, or the entire society. Shareholders are a group of stakeholders. The role that ‘shareholder value’ plays in the business world is a subject of heavy debate and criticism among business ethics writers, as this form of stakeholder management has placed the shareholder above anything else, leading to short-term thinking, in violation of sustainability and social responsibility.

Relationships with stakeholders can take many forms at different levels: payments, dialogue, support, alliance, action, ignorance, and collaboration. Good stakeholder management encourages trust and collaborative efforts, which lead to positive exchanges and economic outcomes (Crane & Matten, 2010; De George, 2009).

Governance looks into the interests of various stakeholder groups. While the Anglo-American model of corporate governance is often based on profit maximisation and the protection of shareholder interests, the German consensus-driven model rather looks at all stakeholder groups (Blowfield & Murray, 2011; Crane & Matten, 2010). Even in companies where shareholders are treated as the most important stakeholder group, managers may concentrate on short-term

policies, at the same time working towards their own goals and interests rather than looking at shareholders’ long-term interests (Crossan, 2011).

In companies where stakeholders have weak control, governance, and influence, thus little involvement, boards have free reign to pursue their own interests, not taking the interests of the owners into account. Managers can even argue it is impossible for them to cater for all the needs, claiming they are unaccountable—a weakness of the stakeholder model.

Business ethics are about aligning and balancing stakeholder interests with governance structures that protect their interests in a socially responsible manner. Unethical behaviour mostly benefits managers and not stakeholders. Codes of ethics and governance processes are thus needed in order to look after all stakeholder groups. Talaulicar (2010) underlines the importance of good relations with all stakeholder groups. Stakeholder management tries to look at the interests of all stakeholders, driven by their legitimacy, power, and urgency. According to Talaulicar, there is evidence that such a balanced approach leads to better financial performance.

Apart from shareholders or society, stakeholder groups such as employees and customers are substantial addressees of business ethics instruments and strategies, and these will be explored next.

## 2.8 Ethical Treatment of Employees

One of the important stakeholder groups of an organisation is the one of employees. Employees are always concerned about compliance, rules, values, organisational culture, CC, employee volunteering, and living up to mission statements. Winstanley and Woodall (2000) argue that until 2000, business ethics had only marginal significance in HRM research; therefore, most HR departments paid little attention to them.

Employee relations are about remuneration, development, equality, leadership, gender, diversity, intercultural awareness, and many other issues. These relations, often dealt with through HR departments, are subject to corporate rhetoric, propaganda, policies, or codes of ethics. Such instruments and codes have a questionable value, as their use and adoption rarely occur, according to Painter-Morland (2010). A code is a paper with an intention; it will not gain transformational powers if not equipped with real governance processes and supporting leadership.

Another aspect is the dehumanisation of workplaces and employment standards, sometimes in the globalisation context also referred to as the “*race to the bottom*” syndrome (Crane & Matten, 2010: 321). Employee relations are often based on compliance regulations and codes. Business ethics aspects are often touched on when it comes to cases of fraud, betrayal, and corruption. Other aspects include discrimination, sexual harassment, choleric superiors, bad leadership and management practices, cynicism, and pressure. Privacy, control, fairness, fair wages,

participation, outsourcing issues and protection are also areas of concern for business ethics.

Ethical aspects touch on the balance of rights and duties, or lay-offs, in order to raise profits versus the employee's right to work. One important aspect of business ethics in relation to employees and unethical behaviour is the area of 'whistleblowing', the fact that employees find ways of opposing unethical procedures. What can employees do in the face of wrongdoing? As Kaptein (2009) describes, there is a range from inaction (observing but not doing anything) to confrontation of the wrongdoer(s) to reporting to management. The next step would be calling an internal ethics hotline, if provided, finally external whistleblowing, informing the media, authorities, or clients. Whistleblowing has meanwhile become a research field of its own.

## **2.9 Ethical Treatment of Customers, Consumers, and Clients**

Clients and consumers are another important stakeholder group of business ethics. Aspects include all areas of consumer protection—bad or unhealthy ingredients, consequences of a product (health problems or predetermined breaking points), unjust pricing, marketing, and brand promises are among these. There are many possibilities how an organisation can 'cheat' its internal and external clients, and business ethics are looking into all these possibilities. Transparency issues are of importance here, as are governance and legal issues. Consumer protection, product testing, and transparency regulations (e.g., the 'food ingredients traffic light' system, the 'ecological footprint', or the 'fair trade' movement), coupled with a global consumer conscience, are slowly changing the rules of marketing and production. Customers do have problems when learning that a t-shirt can be shipped around the globe before it is sold, and that this t-shirt is subsidised in the US, while African cotton producers are starving. Or that North Sea crabs are being flown to North Africa to be hand peeled there and then flown back, as this process is cheaper than paying North Sea workers for the work. Here, business ethics play an important role in shaping this corner in the mind of the customer. Local sourcing is another vital aspect; here, supporting home markets and stabilising home society are the issues.

'Greenwashing' is a name given by transparency organisations when corporations claim or pretend their products are particularly healthy, safe, or produced in an environmentally friendly and sustainable way, when often they are not. As a consequence, where and how to produce, buy, and source, is becoming more and more of an issue; this will be the next building block. Another aspect of this, as discussed, is the growing power of consumers and clients.

While it can be shown that customers who want to behave ethically do not always act on this due to economic reasons, more and more consumers and clients do. This powerful stakeholder group demands more ethics, moral behaviour, and

transparency. This goes as far as asking how much profit is actually acceptable or ethical and if off-shoring, outsourcing, or sweatshops are an acceptable practice, not to speak of child labour. The pressure on companies to be seen acting accordingly is constantly rising (Carrington, Neville, and Whitwell, 2010; Eckhart et al., 2010; Göbel, 2010; Crane & Matten, 2010; Clausen, 2009).

## **2.10 Ethical Treatment of Suppliers and Ethical Sourcing**

There is a strong and ongoing debate about the effects of globalisation. Although this is needed to build strong economies in developing countries, the ‘race to the bottom’ can harm home markets and societies. Industrialised nations cannot compete in many fields, and are exporting jobs and production capabilities to other countries; eventually, this could erode their employment figures, tax income, and general GDP. The debate on local sourcing circles around how much a business should be sourcing locally in order to protect the home base. This kind of sourcing also wants to prevent, for example, consumers consulting the local store and then buying via the Internet based on cheapest price. Companies such as UBER and Airbnb, for example, are believed to deconstruct entire service industries on the cost of the social system.

Business ethics also want to make sure companies source from personally known and audited sources with a high ethical standard. Ethical sourcing is believed to form a vital part of any business ethics approach.

Aspects of concern include the analysis of corruption, bribing purchasers, dealings with dictatorships, and environmental issues.

It can be argued that nowadays, it is not companies and brands competing with each other: instead, entire supply chains do. Supply chain management and contracting, the misuse of market dominance, self-contracting, preferential treatment contracts that lock out many other providers, kick-back contracts, and the world of corruption by gifts, bribes, and ‘special’ hospitality in negotiations are also involved issues.

Other aspects are long-term adhesion contracts, unfair terms and conditions clauses, outsourcing issues, and generally moving responsibilities to external service providers. Leveraging unfair working conditions, making use of subsidies to move production facilities, replacing product components with cheaper materials without notifying the client, cancelling product tests, and faked quality certificates are all topics of business ethics.

Business ethics also look at the role of trade boards (food, energy, buying rights, raw materials such as frozen orange juice etc.). Trade board contracts are often subject to price speculation and are also used to disguise sourcing from producers making use of child labour or extremely low wages. Prominent examples are trade with ‘rare earths’ from Africa or ‘blood diamonds’. Companies often argue the competition leaves them no choice; obviously, the harder the competition, the more the aspects of ethical sourcing are under threat.

## 2.11 Ethical Treatment of Competitors

Finally, competitors play a crucial role in business ethics. Forms of exaggerated aggressive competition are of interest here, as is the herd mentality within industries, leading to the race to the bottom as well as many objectionable consequences in products and services. Sometimes, this is sold as ‘industry best practices’.

Competition can also mean collaboration. Price cartels and other forms of corruption are of interest here.

Other aspects include industry espionage, sabotage, price pressure to increase market share (deliberately selling at a loss), mergers and acquisitions to reduce competition (usually with no benefit to customers, who experience higher prices instead), the use of non-transparent tariff structures (e.g., mobile phone, energy and gas industries), ‘dirty’ sales force processes, and, finally, abusing a dominant market position.

Outsourcing trends or moving production facilities from Europe to elsewhere are trends fuelled by competition, which makes it hard for companies who want to withstand these trends to maintain their cost structure. The critical customer is a chance; the more clients understand and value these ethical considerations, the more they are prepared to pay a higher price and support the home market. There is a debate about protectionism related to this; however, business ethics believe that global sourcing must follow sustainable and ethical rules and that the home base is something worth protecting. Buying local is as important under this thinking as supporting a fair trade business in Africa. After all, the reason that many third world states are not developing as they should is often caused by market protection, market force domination, the subsidisation of local products, especially in the agricultural sector, and constantly moving production sites to even cheaper places.

## Chapter 3

# Literature Review: The Evolution of Ethical Leadership

Regardless of whether the number of ethical failures of institutions is effectively rising or growing transparency levels are uncovering more of them, we are in the midst of a ‘leadership crisis’, despite having had an ‘obsession’ with leadership for decades, as Wray-Bliss (2013) states. Leadership’s legitimacy is questioned and trust in corporate governance ‘extremely’ low (Mihelic, Lipicnik, & Tekavcic, 2010). Leaders who act ethically seem to be a logical answer, leading to a growing focus on ‘ethical leadership’ (Northouse, 2013; Wray-Bliss, 2013; Yukl, 2013; Eisenbeiß, 2012; Kacmar, Bachrach, Harris, & Zivnuska, 2011; Mihelic et al., 2010; Brown & Treviño, 2006).

However, ethical leadership is by no means a self-runner. Winstanley and Woodall (2000) report that until recently, most HR departments interested in ethics paid little attention to leadership, focusing on regulation and process. Today’s CSR handbooks, for example, generally omit leadership, concentrating on regulation, process and codes. The German CSR compendium (Schneider & Schmidpeter, 2012), did not dedicate even one of 51 chapters to the role of leadership; something the 2nd edition did not change (Schneider & Schmidpeter, 2015); still not one of the now 81 chapter is devoted to leadership. Blowfield and Murray (2011) mention leadership on three of 431 pages and reduce leadership to a ‘supporting’ role. Regarding business ethics handbooks, Fisher and Lovell (2009) assign 2 of 616 and Crane and Matten (2010) <2 of 614 pages to ethical leadership. As becomes clear, the entire mainstream business ethics and CSR literature does not value leadership as the essential ingredient of a successful implementation. This requires more explanation than it does not! In consequence, furthermore, it is no wonder that this researcher has never encountered an organisation that had knowledge of a dedicated ‘ethical leadership’ approach. This book hopes to point to leadership as the decisive factor which is required for a successful implementation of any building blocks of ethics and CSR.

Aslan and Sendogdu (2012) demonstrate that ethical leadership can improve and positively influence such CSR initiatives.

Furthermore, without developing ethical climate and (ethical) leadership culture, an ethical organisation is not likely to emerge. If ethical leadership is the dominant form of leadership, it will potentially create an ethical climate and influence the leadership culture. Merely running ethics or CSR programmes without the necessary culture change have much smaller probabilities of a successful implementation. If all the leaders in an organisation support such programmes, they will influence and change the culture. Leadership then can develop a leadership culture influencing the climate, evolving into an *ethical leadership culture*; an emerging construct supported with underlying research by Mayer, Aquino, Greenbaum, and Kuenzi (2012) and D'Amato and Roome (2009), although further research is required.

Research looking at operational context is interested in the influences of context on leadership behaviour. 'Governance' is the next field of vital interest integrated into the framework model below. This is understood as the policies which govern, for example, a factory. While this influence field is labelled 'rules, regulations, codes', this only refers to corporate governance to the extent to which such regulations are actually followed up in operational or distant business units and mainly refers to *operational governance* and the managerial processes of day-to-day leadership tasks and goal attainment. *Operational governance* is a necessary part of any operational coordination and co-operation effort; it may substitute or complement formal control, following Steinicke, Wallenburg, and Schmoltzi (2012).

While the term is frequently used in public sector research and addresses policy implementation issues (Hill & Hupe, 2003), in management science, 'operational governance' is a still emerging, and terms like 'managerial control' are used instead. However, following Schnatterly (2003), operational governance is more associated with the implementation of strategies, and requires more stringent activities of monitoring, employee screening, and communications to all levels in order to strengthen internal control mechanisms. Operational governance is needed to follow through with policies and codes; as such, it requires different managerial tasks and a much wider focus of attention than merely 'managing' processes or 'leading' people (cf. Schnatterly, 2003). Furthermore, according to Schmoltzi and Wallenburg (2012), this stronger form of controlling employee behaviour benefits from a moral foundation. There is an emerging understanding that operational governance is a needed approach of corporate and public governance to deal with sustainability thinking, ambivalence, uncertainty, and distributed power in societal change, and a needed approach to foster change and transition (Voß & Bornemann, 2011). This study opted to use the term operational governance to draw attention to its role of translating corporate governance into operational processes which are followed through down to the lowest levels of organisations.

Within any organisation, leadership is exercised and will form a negative or positive leadership culture; this may eventually result in poor or unethical leadership styles. Organisational culture might result in an ethical work climate; or culture and climate might be negatively influenced. If the goal of an organisation is to achieve a good or even ethical operational governance, the gravitational forces need

to be aligned with this goal and support all the necessary characteristics and processes. The governance needs to be organised suitably, which means that communications and policies or rulebooks are not enough if there is no follow-through and leaders are not held accountable for these processes. Finally, the operational context needs to be aligned with this goal as well. The operational context within a manufacturing operation will rely on many supporting and hindering factors. These are decisive for whether the entire operation will be perceived as a great place to work, with good work ethics and good, perhaps ethical leadership, or as a place that does not fulfil any of these criteria or even has a poor or bad work climate, displaying poor forms of leadership.

A transition towards ethical leadership would require such a ‘good’ or ‘ethical’ *operational* governance.

The literature review will discuss the foundations of ethics and morale, before analysing the antecedents of ethical leadership concepts. Organisations wishing to implement or embed these concepts in order to transform are challenged to change their (leadership) culture and climate, requiring a differentiation and critical discussion of culture and climate, and how to transform those.

Resulting out of the discussion and the identified gaps in extant research, the emerging themes for the primary research are the basis for the research questions and the research framework model of this study.

### **3.1 Introduction: Ethical Leadership: A Neglected Approach**

The classic approach for most organisations trying to become more ethical and responsible is not to focus on leadership, but on implementing CSR processes (Blowfield & Murray, 2011; Göbel, 2010), however, CSR activities often have small effects, as the involved leaders do not actually adopt an ethical stance (Nijhof & Jeurissen, 2010; Rasche, 2010; Grojean, Resick, Dickson, & Smith, 2004). Mostovicz, Kakabadse, and Kakabadse (2011) evidence these limits, reporting companies with CSR programmes very prominently in place who were still involved in unethical and highly irresponsible business practices. Ethical leadership, in contrast, is believed to prevent such flawed risk strategies and the ‘organised irresponsibility’ (Beck, 1988) enabling them. It is also believed to foster ‘moral agency’, i.e., employees are able to exercise their moral judgement and act upon it autonomously without fearing repercussions on employability and career (Werhane, 1999). Werhane (1999) asks whether moral reasoning and agency stand a chance in competitive, managerial environments without regulations.

Nijhof and Jeurissen (2010) raise the concern that CSR is now more about finding ‘marketable’ solutions to social issues, ignoring the intrinsic motivation of ethical governance. Arvidsson (2010) asserts that many companies do not perceive CSR as a particularly value-creating activity (see Chap. 2). Many companies object

to CSR, as meeting those social expectations leads to higher costs, affecting the underlying business models. There are numerous reported cases of managerial resistance to the ideas of CSR (Boddy, Ladyshevsky, & Galvin, 2010). Again; firms as rational actors have no interest in moralising themselves, as this would lead to moralising the market, which would increase such unwanted pressures affecting costs and business models (Knippenberg & de Jong, 2010).

However, exactly this is currently happening, as the focus of CSR broadens (Tricker, 2012; Blowfield & Murray, 2011). Many organisations struggle to implement both the processes and the leadership approaches needed to govern such thinking. Very few corporations have as yet adopted social accounting procedures or are measuring their financial performance following such criteria (Schumacher-Hummel, 2012).

Poff (2010) states that for these reasons, CSR is only deployed by companies that think it makes business sense to do so; it remains voluntary and market-driven, and is not—supporting Boddy et al. (2010), who claim the same—an *internal wish* of companies. While Poff (2010) references publications only until 2006, Blowfield and Murray (2011) summarise newer studies, arguing that the number of companies accepting CSR has considerably grown. However, usually that does not imply the implementation of ethical leadership.

Grojean et al. (2004) argue that formal policies do not result in ethical behaviour. Rasche (2010) states that ethics, compliance or CSR codes are problematic: as a ‘law’ they cannot function, eventually resulting in moral mediocrity. Their rather voluntary nature assigns them a character of ‘soft’ law solutions. Such codes carry more discretionary than legal responsibility (Boddy et al., 2010), and often do not contain ethical values (McCraw, Moffeit, & O’Malley, 2009). In consequence, such process instruments are more a declaration, as application and adoption often fail to happen (Painter-Morland, 2010). Embedding processes like publishing codes or ethical policies does not seem to have a transformational effect (Göbel, 2010; Kish-Gephart, Harrison, & Treviño, 2010a, b; Mihelic et al., 2010; Painter-Morland, 2010; Clausen, 2009; Helin & Sandström, 2008; Talaulicar, 2007).

A successful implementation of ethics or CSR principles is perhaps reliant on ethical leadership as a conjunctive link, a thought omitted in the majority of the ethics and CSR literature. Representative of this is perhaps Laljani (2007). Based on this author’s experience in developing leaders for 25 years as MBA director of a leading UK business school, the study aims to update and synthesise present-day requirements in developing ‘future’ leaders. Neither ‘ethical leadership’ nor ‘leadership ethics’ are mentioned at all; in fact, the word ‘ethics’ is *not mentioned once* (cf. Laljani, 2007). The same phenomenon can be seen in the latest synopsis on steward leadership by April, Kukard, and Peters (2013)—Peters being the Dean of the same business school as his colleague Laljani. Steward leadership theory shares values with and is commonly seen as one of the antecedents of ethical leadership (Dierendonck, 2011; Toor & Ofori, 2009; cf. Northouse, 2013; Yukl, 2013); however, not one such study is referenced, ethical behaviour completely excluded, and values like integrity, normally seen as an integral part of steward leadership, absolutely ignored. While many business schools have embedded business ethics

in their programmes, Laljani and Peters obviously feel this is not needed in their business school.

Indeed, the mainstream leadership research widely ignores ethical leadership approaches, contributing further to traditional leadership approaches or considering improving efficiencies. As established, even the CSR literature ignores the specific role of leaders in the depth of the organisations. Ethical leadership as a means to create a corresponding culture and climate supportive of ethical values is not considered. Ethical leadership is no self-runner, so this research is timely in investigating its role in greater depth.

Analysing ethical leadership involves the interpretation of values and various assumptions about how influence is exercised. There are various concepts based on honesty, morality, altruism, general behaviour, values and beliefs (Northouse, 2013; Yukl, 2013; Dion, 2012; Poff, 2010; Brown & Mitchell, 2010; Mihelic et al., 2010; Brown & Treviño, 2006; Treviño, Hartman, & Brown, 2000; Craig & Gustafson, 1998). Instead of a shared definition, there are many relevant leadership criteria, which are difficult to evaluate, leading to a lack of research investigating the interdependence and influence of ethical leadership on the corporate culture (Yukl, 2013). Before the concepts of ethical leadership research theory are discussed in Sect. 3.2, the next two sections will explore the foundations of ethical leadership and its underlying values. As has become clear, business ethics are subject to philosophical and moral thinking.

### ***3.1.1 Foundations and Perspectives of Ethics and Morale***

Ethical thinking is based on culture and common values (e.g., religious values, morals, or common understanding based on cultural heritage). International cultural and philosophical norms and belief systems consequently lead to different interpretations concerning morale, ethical behaviour, and business ethics (Liden, 2012; Hofstede, 2012; Trompenaars & Hampden-Turner, 2011; Crane & Matten, 2010; Göbel, 2010; Fisher & Lovell, 2009; De George, 2009). Following Göbel (2010). Business ethics hence consist of various *normative positions*, which are for example interpreted through the lens of a Western or Asian cultural perspective, as illustrated below (see Table 3.1):

Cross-cultural business only functions when employees are made aware of these cultural differences on values and morale (Hofstede, 2012; Trompenaars & Hampden-Turner, 2011; Crane & Matten, 2010; Göbel, 2010). However, as these authors state in unison, values, and in consequence, moral agency, tend to play a lesser role under economic pressure, short-termism, and shareholder value thinking, especially in a globalised business environment.

Many studies refer to moral agency, based on moral cognition (Hannah, Avolio, & May, 2011; Lovinsky, Treviño, & Jacobs, 2007; Treviño, Weaver, & Reynolds, 2006; Schminke, Ambrose, & Neubaum, 2005; Turner, Barling, Epitropaki, Butcher, & Milner, 2002; Butterfield, Treviño, & Weaver, 2000; Treviño &

**Table 3.1** Regional differences in normative positions of business ethics

Aspects	Europe	North America	Asia
Responsible for ethical conduct in business	Social control by the collective	The individual	Top management
Key actor in business ethics?	Government, Trade Unions, Corporate Associations	The corporation	Government, corporations
Key guidelines for ethical behaviour?	Negotiated legal framework	Corporate codes	Managerial discretion
Key issues in business ethics?	Social issues in organising the framework of business	Misconduct and immorality in single decisions situations	Corporate governance and accountability
Dominant stakeholder management approach	Formalised multiple stakeholder approach	Focus on shareholder value	Implicit multiple stakeholder approach, benign managerialism

Source: Crane and Matten (2010: 26)

Youngblood, 1990). Moral agency can be defined, following Fisher and Lovell (2009: 19) as an ability of managers to exercise their “*moral judgement and behaviour in an autonomous fashion, unfettered by fear for their employment and/or promotional prospects*”.

Singer (2010) writes that many researchers have different ideals and philosophic views with implied ethical judgements, which form the outcome. Sparks and Pan (2010) analyse 185 empirical studies concerning how managers make ethical judgements. Supporting Singer, they find many dependencies and no consistent definition, moral cognition being only one source of guidance for leaders. Knippenberg and de Jong (2010) examine 80 research studies in the field of CSR, concluding that implementing CSR concepts does not automatically ‘moralise’ a company. Ethical leadership relies on moral agency and is based on underlying positions concerning norms, moral understanding, and cultural influence. Concerning virtues, the literature describes ethical leaders as overly perfect executives, who possess integrity, honesty, humility, truthfulness, respect for others, servant mentality, justice, fairness, and many other virtues (Northouse, 2013).

One central question that emerges from this synopsis is whether there is a dedicated ‘leadership culture’. Such a culture could develop independently of the official governance and HR leadership concepts and could either contradict the efforts to become a more ethical organisation, fuelled by the context and the pressure to reach goals, or enhance the CSR strategy.

Leadership is increasingly becoming a normative source of influence, rather than ‘managing’, i.e., directing action or working on achieving targets. According to Palmer (2009), research on the normative side of leadership is relatively new and was triggered by the growing interest in ethics following the many ethical scandals, which are not just pragmatic, but ethical failures. ‘Good’ leadership practice is no

longer regarded as ‘successful’ or ‘effective’ without possessing normative, responsible and ethical qualities.

D’Amato and Roome (2009) state that further research is needed to shed light on the factors that limit or support CSR practices and an accompanying leadership culture. In many research studies, cultural elements just seem to exist; the fact that it takes leadership qualities and human actions actually to bring these elements into existence is ignored. Very few studies focus on day-to-day leadership issues, and on team leaders and middle management and their actions, and how they would implement such an ‘ethical’ culture.

In companies in which stakeholders have weak control, governance and influence, thus little involvement, boards have a free reign to pursue their own interests, not taking the interests of any owners into account. Nwanji and Howell (2007) describe the difficulties that corporate governance faces in dealing with the unethical business practices of corporate boards. Non-executive directors particularly can have difficulties in controlling managers (Crossan, 2011). Vaiman, Sigurjonsson, and Davidsson (2011) demonstrate that if a governance culture is weak, unethical decisions and self-servicing of stakeholders are invited. Nitkin (2012) states that such a corporate *governance culture* exists as much as a corporate culture, and while specific governance policies can be mandated, the governance culture is not easily changed. Even after governance regulations, rules or senior managers have changed, Nitkin warns, the governance culture often remains the same.

This may explain why the implementation of CSR rules often does not change the organisation. It can be summarised that ethical leadership is needed to follow up, control and transport such values from paper to process and to people. The role modelling of ethical leaders is the culture-changing influence that can make the difference.

Is there ‘the one’ organisational culture? Sinclair (1993) discusses an often-overlooked aspect of culture. Typically, the creation of a unitary culture is based on common values and instruments; however, Sinclair negates the existence of such a uniform culture and posits that despite the potential existence of a prevailing corporate culture, shifting coalitions of subcultures with competing values, paralysis and a lack of common ground exist and are formative. Here, voluntarism, agreement and communication play a much larger role. Hardly any study acknowledges that different cultures can exist in one organisation.

Ruiz, Ruiz, and Martinez (2011) state that the importance of the moral dimension is overlooked; only good morality will lead to an improved relationship of superiors with employees. According to them, ethical leadership without the moral dimension is unthinkable. ‘Trickle-down’ effects, which influence a corporate culture, can only exist if the entire management suite from the top to local supervisors is grounded in a moral understanding.

As Crane and Matten (2010) state, business ethics start where the law stops. Morale and laws can overlap, creating normative ethical considerations, which are partly codified in bodies of law; however, ethics and morale are often informal and uncoded. Morale guides behavioural norms of societies. While moral cognition is

shaped externally by socialisation, peer pressure and culture, there is also an individual, internal perspective, normally based on individual stances to morale, by acting on principles, applied self-control, and a 'bad conscience' in cases of violations (Göbel, 2010). Morality, based on such norms and values, is concerned with social processes defining right and wrong. Such social ethics form a set of ethical theorems, which apply to business matters by suggesting potential solutions concerning right or wrong (Crane & Matten, 2010). In complex business situations, an ethical decision making process is always involved, however, moral agency falls victim to conflicting objectives, goal attainment and the pressure to perform (Stenmark & Mumford, 2011; Dean, Beggs, and Keane 2010; Brown & Mitchell, 2010; Cohen, 1993).

While a prevailing morality is formed by what a society defines as good and desirable—or bad and forbidden—(outer morale), *ethos* is that a person values such a morality as compulsory for its behaviour and actions (inner morale). Ethos is the basis for moral agency, however, it also involves reasoning and a critical distance towards the prevailing norms (Göbel, 2010).

In many business and leadership situations, values and belief systems are in conflict, and choices have to be made. Ethical theory defines the rules and principles by which right and wrong may be determined; however, as stated above, ethical theory draws from multiple cultural and philosophical norms and beliefs. This results in a variety of normative ethical positions.

*Ethical absolutism*: This stance claims there are eternal, universally applicable moral principles; right and wrong are clear and *objective*, and can thus be rationally determined. This position may result in a dominant perspective: '*Everyone should act like we do.*'

*Ethical relativism* is the 'extreme' opposite stance (De George, 2009) to the former, as for relativists, ethics are context-dependent and *subjective*; no universal rights or wrongs can be determined. This position acknowledges that different sets of beliefs can be equally right, that a moral distinction is difficult from the outside, and that morality is culturally determined (Crane & Matten, 2010). However, this stance may lead to a *laissez-fair* attitude (Fisher & Lovell, 2009) and can be abused as an excuse for not taking action: '*If child labour is normal in Indonesia, who are we to make a family lose their income?*'

*Pluralist ethics* is a position moving along a 'middle ground' between absolutism and relativism (Crane & Matten, 2010). This stance accepts cultural realities, seeks acceptance and consensus for all involved sides. Different moral convictions are accepted, while both sides need to ensure that their values are not harmed (Crane & Matten, 2010). This may result in compromises with a varying degree of ethical sincerity: '*Children work 4 h a day to secure an income for their family, but then we ensure they are being sent to school in the afternoon by their employers.*' Another example would be the argument '*Yes, we produce in Bangladesh, but we made sure all our suppliers are certified for good wages and good working conditions.*' Obtaining such needed, often dubious certificates, has turned into a service industry of its own kind.

One facet of a pluralist view is the *modernist view*: particularly common in Western societies, this stance tends to drop religious roots, boundaries and cultural traditions. It justifies the use of technology and the associated social risks, and can be both non-consequential and consequential (Göbel, 2010; Crane & Matten, 2010). Amazon, Uber and Airbnb are typical representatives of a modernist stance to how business is conducted.

*Non-consequential ethical theories* are rooted in motivation and focus on principles; if these are morally right, then the outcome has to be accepted, whether desirable or not. This *deontological* approach (from the Greek word for ‘duty’) or ‘ethics of duties’ is centred on the purity and attitude of the motivation of the decision maker. The intention or ‘conviction’ is central; morality is defined by following the moral conscience while wanting to ‘do good’ (Göbel, 2010). Ethical dilemmas are resolved on the basis of universal principles; here, duty is understood as acting accordingly with the rules (Fisher & Lovell, 2009).

*Consequentialist ethical theories* are rooted in results, and focus on outcomes and consequences. If these are desirable, the action or decision in question is morally sound; if the results cause harm, the motivation is considered as not sufficiently morally justified (Fisher & Lovell, 2009). This *teleological* approach (from the Greek word for ‘goal’) is centred on the results of an action. Max Weber positioned ‘ethics of responsibility’ against ethical positions to which he referred to as ‘dispositional’ or ‘convictional’ ethics (Göbel, 2010). Here, good intentions may cause great harm; it is the result, not the intention, which counts.

*Utilitarianism* is an accepted ethical stance particularly in the Anglo-Saxon world (Crane & Matten, 2010). Here, an action is morally right if the greatest good for the greatest amount of people can be achieved. Consequentialist as well, this stance weighs good and bad results (Fisher & Lovell, 2009).

Questions of human rights, fairness, justice and equality all have ethical dimensions, which constantly occur in global business and trade (Crane & Matten, 2010). Doing ‘good’ is accompanied by the question of doing ‘right’ or ‘just’. *Ethics of rights and justice* link to corresponding duties, actions and codifications and play another large role in business ethics and for leadership (Göbel, 2010; Fisher & Lovell, 2009).

Gini (1997) stated that particularly on the shop floor, bi-directional trust, leadership techniques, the person of the leader and job requirements would all need a moral foundation. This requires moral awareness as basis for moral judgement (Loviscky et al., 2007; Treviño et al., 2006; Butterfield et al., 2000). That moral cognition and moral reasoning have positive effects on leadership, is a point Turner et al. (2002) raise; Schminke et al. (2005) add, that such cognitive moral development of leaders can shape an ethical climate.

Hannah et al. (2011) describe a ‘moral person’ as one where moral cognition is coupled with moral ‘maturity’, based on social learning and a capacity for the intention to behave morally. A ‘moral person’ is centred on self-reflection, which forms the ‘significant part of moral leadership’, as Rozuel and Kakabadse (2010) add. Reis (2010), disregarding context, states that if a ‘moral’ person is handed autonomy, the expected leadership behaviour should be moral and ethical. It is doubtful that operational business environments provide such a mature, social

learning environment, or the time for such reflexivity. Instead, many corporate scandals are a result of a mix of moral failures from individuals, as Kish-Gephart et al. (2010a, b) point out.

Treviño et al. (2000) ask why moral persons are not necessarily moral managers. In their view, reputation as an ethical leader rests on two pillars: the perception of the leader as a moral person *and* as a moral manager. An executive who wants to be thought of as a moral person needs to make sure that co-workers would characterise him or her as having honesty and integrity. The authors describe, why so many managers are perceived as hypocrites. If a weak moral person acts strongly as a moral manager, many employees would perceive this as a simulation. There are neutral grounds like external circumstances which are perhaps not related to the person or manager, however; the more decisions have to be made in the workplace, the higher the chances become that word-deed alignment declines. Ethical leadership requires a strong moral foundation as explained below (see Fig. 3.1).

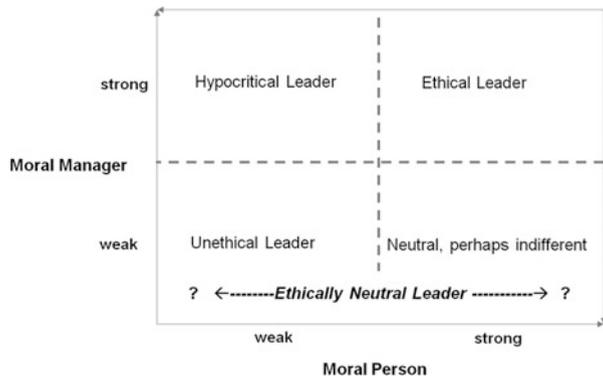
Being a moral person requires traits, behaviours and corresponding decision-making principles. A moral person displays stable traits (integrity, honesty, trustworthiness) and behaviours (concern for people, personal morality) and makes objective and fair decisions based on values, concern for others and ethical rules (Treviño et al., 2000).

The question however remains: *why* are moral persons not automatically moral managers and accordingly, ethical leaders? Context and leadership climate are potential issues in this matter and will be reviewed in the literature review.

Treviño and Youngblood (1990) see moral cognition as major influence for ethical decision making. Mayer et al. (2012) posit that the activation of a moral identity can support the development of an ethical climate. The creation of an ethical climate, based on an ethical leadership culture and on moral grounds, their study suggests, seems to be supportive of better governance.

Butterfield et al. (2000) find evidence that managers can increase the moral awareness in the workplace, suggesting training and communications for this. However, it remains questionable if in environments, which do not allow moral persons to act as moral managers, ‘communication and training’ are promising approaches.

**Fig. 3.1** Perceptions of executive reputation concerning ethical leadership. *Source:* Adapted from Treviño et al. (2000: 137)



Garofalo (2003) concludes that ethics training based on rules, compliance books and behavioural recommendations is ineffective, suggesting values like honesty, responsibility, accountability, fairness and integrity instead, enabling learners to have a better moral reasoning and to understand ethical dilemmas. However, he does not answer the question, how then such virtues can be embedded, nor how integrity and trust can be established. The following section will examine the foundations of these virtues.

It can be recorded at this time, that companies can hinder moral persons to become moral managers. The current Volkswagen crisis can be explained by these mechanisms, where senior managers do not dare to speak up in an atmosphere of fear, pressure, and top-down communication, total control from the CEO and the drivers of performance attainment, cost control and variable remuneration bonus schemes.

### ***3.1.2 Foundations of Integrity and Trust, or: Why Is Noone Researching Integrity and Trust?***

Ethical leadership studies seemingly assemble wish lists of leaders' traits, virtues and behaviours: integrity, altruism, humility, empathy, developing self and people, fairness and justice, empowerment, people orientation, ethical guidance, clarification of roles, sustainability thinking, trust, collective motivation, based on values, sets examples and clear expectations of ethical conduct, provides feedback, appraises, acknowledges diversity, rewards appropriate behaviour, trains and mentors, etc. (cf. Marsh, 2013; Yukl, 2013; Northouse, 2013; Eisenbeiß, 2012; Kalshoven, Den Hartog, & De Hoogh, 2011; Piccolo, Greenbaum, Den Hartog, & Folger, 2010; Kalshoven & Den Hartog, 2009; Grojean et al., 2004; Prilleltensky, 2000; Bass & Steidlmeier, 1999). It is doubtful whether organisations screen for these virtues when hiring leaders, questionable how such leadership virtues can survive the operational pressure to perform, and the existence of such 'perfect' ethical leaders needs to stand reality tests.

Reave (2005), in a review of 150 studies, concludes that integrity is the most crucial 'spiritual' value for the success of leaders. Brown and Treviño (2006) hold against Reave's study that superiors still value competence, while it is the subordinates who value integrity the most. However, Poff (2010) and Yukl (2010) as well as Ingenhoff and Sommer (2010) agree that integrity seems to be the most important leadership property of good and ethical leadership.

Parry and Proctor-Thomson (2002) comment that research lacks clarity regarding the meaning of integrity; Palanski and Yammarino (2007) summarise that research knows too many definitions of integrity, while not many empirical studies from the field are available. Bauman (2013) is of the opinion that there is still confusion about the attributions that constitute integrity.

Initially, ‘good’ leadership traits were defined as honesty, trustworthiness and consistent and ethical behaviour based on values (Bass & Steidlmeier, 1999). Integrity was understood as a result of these traits (Piccolo et al., 2010; Treviño et al., 2000; Brown & Treviño, 2006). It appears that ‘integrity’ is mentioned often in leadership research; however, researchers surprisingly often omit the term ‘integrity’ and those using it treat it rather cursory. Yukl (2013), Crane and Matten (2010) or Göbel (2010) do not discuss, Northouse (2013) devotes half a page to integrity, here understood as a ‘trait’ with the quality of honesty and trustworthiness; however, this paragraph is entirely written without any references.

Mihelic et al. (2010) view integrity as a ‘trait’ needed for effective leadership, while others see it as a main ‘quality’ for ethical leadership (Ingenhoff & Sommer, 2010; Poff, 2010; Yukl, 2010). Bartelt (2011), studying appreciative, competent and ethical leadership as a basis for employees’ trust does not discuss integrity (not even its exclusion), despite the many studies defining integrity as a main source of trust (Wang & Hsieh, 2014; Ingenhoff & Sommer, 2010; van den Akker, Heres, Lasthuizen, & Six, 2009). Yukl (2013) does not even list ‘integrity’ in the subject index.

The aforementioned study on *steward* leadership (April et al., 2013) excludes integrity and ethical behaviour as well. Another recent quantitative Ph.D. thesis (Bartelt, 2011) on appreciative, competent and ethical leadership as a basis for employees’ trust in their managers mentions integrity only in two citations. However, Bartelt does not react to the term; there is no follow-up, definition or discussion of integrity at all, despite the many studies listed at the beginning of this section that define integrity as a main source of trust.

The already introduced DBA thesis by Laljani (2007) on the development of strategic leaders mentions integrity *exactly once*, as the final one in a list of 12 ‘personal skills’ of ‘strategic change leaders’. As Northouse (2013) comments, leadership researchers tend to mix trait characteristics with behavioural processes and vice versa—without separating or defining the nature of the subjects. Defining integrity as a ‘skill’ is obviously denotative of this kind of thinking as well as of research—coming from an MBA director of long standing.

People with integrity are said to be ‘true to oneself’ or to maintain ‘their’ values (Fisher & Lovell, 2009), however, these descriptions are ethically neutral. Integrity has been repeatedly defined as ‘word-deed alignment’ (Bauman, 2013; Kannan-Narasimhan & Lawrence, 2012; Davis & Rothstein, 2006; Dineen, Lewicki, & Tomlinson, 2006). Kannan-Narasimhan and Lawrence (2012) state that (behavioural) integrity is how much employees perceive that leaders are accurately representing their values.

For Pauchant (2005), leaders ‘act with integrity’ when they display a stable behaviour based on culture and shared values. However, under this perspective, it would still be possible to act with integrity in organisations with unethical goals, as integrity functions merely as an ethically neutral, normative descriptor. Parry and Proctor-Thomson (2002) state, that the absence of unethical behaviour can be perceived as integrity.

According to Palanski and Yammarino (2007), integrity is not necessarily based on morale and is ethically neutral. Often, leaders find themselves stating that they are only doing what the system asked them to do. It is possible that due to this neutrality, integrity is so often excluded in extant research.

However, those leaders who strongly act on personal values *will* challenge their instructions regarding whether they are in violation of moral values. Audi and Murphy (2006) support this thesis by claiming that integrity is needed to maintain good character and moral conduct. Here, integrity is a basis for the ability to display ethical behaviour in difficult circumstances: which usually is, when it counts.

Another definition states, “*Integrity means that a person’s behavior is consistent with espoused values and that the person is honest and trustworthy*” (Yukl & Van Fleet, 1992: 151). According to Fields (2007), integrity must be recognisable enough in order to make a difference; if integrity is not perceived, the influence of leaders decreases. ‘Ethical’ leaders, perceiving a violation of their moral values, *will* challenge their instructions. Here, integrity is the ability to display ethical behaviour as a role model (Audi & Murphy, 2006). Only perceived leader integrity and belief in moral rules have positive effects on the intention of employees to not commit unethical acts, concludes Peterson (2004).

Integrity is needed to maintain moral conduct (Audi & Murphy, 2006). Bauman (2013), Noelliste (2013) and Treviño et al. (2000) conclude that *a concept of integrity without a moral foundation is not possible*.

According to Kish-Gephart et al. (2010a, b), Integrity should play a larger role when hiring managers; this would lead to more moral behaviour and fewer corporate failures. While ‘integrity’ is effectively mentioned as a behaviour looked for in some talent management programmes (Garavan, Carbery, & Rock, 2012), there is an overall tendency that managers are not hired for integrity, but for results (Klotz, Da Motta Vega, Buckley, & Gavin, 2013; cf. Blowfield & Murray, 2011; Crane & Matten, 2010; Göbel, 2010; Clausen, 2009; Fisher & Lovell, 2009; Laljani, 2007). Top managers do not hire, and are not hired, for ethical behaviour, but for the ability to adapt, to blend in, to align and not to cause problems or compromise profits (Rost, Salomo, & Osterloh, 2008; Brown & Treviño, 2006). In consequence, delivering profits stays the main focus, resulting in pressure on middle managers and operational employees. On the contrary, as more and more hiring processes look for conformity, using electronic application processes, integrity and trustworthiness are qualities that are playing less and less of a role in the first selection rounds (Klotz et al., 2013).

Bucksteeg and Hattendorf (2009, 2012) indicate that integrity is very difficult to maintain for leaders. The more operational an environment becomes, the more difficult it is to match words with deeds, compromising trust.

Honesty is described as a source for trust (Avey, Wernsing, & Palanski, 2012; Treviño et al., 2003), other studies name integrity as the primary source for trust (Wang & Hsieh, 2014; Northouse, 2013; Ingenhoff & Sommer, 2010; van den Akker et al., 2009). Trust (like integrity) is often mentioned in research, but what establishes trust is not defined, Gordon and Gilley (2012), Yang and Mossholder (2010) and Burke et al. (2007) conclude.

Following Ikonen and Savolainen (2013), trust in intra-organisational relationships is a necessary basis for collaboration and commitment. The main responsibility of establishing trusting relationships resides with the leaders (Martin, 1999). Yang and Mossholder (2010) state that interpersonal interactions based on trust with the supervisor are needed to motivate and energise positive work behaviour. The thesis, that credible role modelling requires a basis of trust is also supported by van den Akker et al. (2009) and Kalshoven and Den Hartog (2009). For operational environments, Gordon and Gilley (2012) propose a model for building trust which is based on giving rewards, fairness, freedom from fear, communication, interaction, acceptance, personal involvement, and honesty. Most operational environments this researcher has come across, lack such behaviours.

Having established the foundations of morale, integrity and trust as basis for ethical leadership, the next section explores its evolution.

### 3.2 The Evolution of Ethical Leadership Concepts

Following Doh and Stumpf (2005), research on leadership, business ethics, and CSR developed independently. Only recently, the business ethics field has begun to recognise that leadership could become a key element in advancing an ethical stance in business, Poff (2010) states. How the leader–follower<sup>1</sup> relation could be improved by leading ethically became a research subject in its own right.

The foundations of ‘ethical’ leadership approaches root in studies examining traits of ‘good’ leaders (cf. Bass & Steidlmeier, 1999). Traits, however, result in leadership behaviour; transformational and behavioural leadership theory added further components of ‘ethical’ leaders. Before and in parallel to the emerging ethical leadership theory, qualities or traits of an ethical leader were described as being part of ‘transactional’, ‘transformational’, ‘steward’ or ‘authentic’ leadership approaches (Heres & Lasthuizen, 2012; Northouse, 2010; Yukl, 2010; Treviño et al., 2003; Kanungo, 2001).

Kanungo (2001) assumes that leaders have a ‘moral foundation’. He illustrates differences and similarities concerning ethical leadership characteristics by comparing leadership traits of transactional and transformational leadership theory. Both approaches to leadership have a common moral foundation, but different characteristics and styles; yet, according to Kanungo (2001), both styles act as ‘ethical’ leaders. While transactional leaders emphasize duty, purpose, and situational ethics, transformational leaders emphasize governed ethics, principles, duty, and universal values. Bass and Steidlmeier (1999) state that transformational

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<sup>1</sup>Most studies referenced in this thesis use the term ‘followers’. According to Pauchant (2005), this term implies a leader-centred view and a perspective with the assumption that leadership relations are generally top-down and unidirectional, while there is also evidence that in many cases ‘followers’, as the word implies, are not necessarily following either their leaders or their instructions, codes or guidelines. This study, in consequence, does not use the term ‘followers’.

leaders, driving change by vision, are moral, ethical and authentic. However, this is partly based on assumptions.

This can also be said for values-based leadership approaches. Developed by scholars like Avolio, Brown, Hartman, Kanungo, Treviño and Walumbwa, over time this approach changes the perspective from values-based perspectives of 'good' to defining 'ethical' leadership. This research field looks into the dimension of shared (corporate, cultural) values as well as personal values and cognitive moral development (Brown & Treviño, 2003; Prilleltensky, 2000; cf. Northouse, 2013; Yukl, 2013). An early study directed against '*values-based*' approaches, drawing the focus to the problem that the surrounding context often contradicts good intentions is Szabo, Reber, Weibler, Bridbeck, and Wunderer (2001). Here, the focus is on 'close to action' concepts: on direct action and the choice of leaders who are influenced by situational and contextual factors, which can override 'intentional' or 'far from action' concepts like orientation on values, traits and motives.

Another research approach, authentic leadership, focuses on authenticity as the consistency between the true ethical intention and the actual behaviour of leaders. Authentic leaders follow ethical and moral dimensions, values, and purpose. While integrity is identified as a key dimension for (authentic) ethical leaders, self-awareness and development of others are also important (Brown & Treviño, 2006; Avolio & Gardner, 2005; Zhu, May, & Avolio, 2004; cf. Northouse, 2013; Yukl, 2013).

However, actual leadership behaviour is often a result of an ethical dilemma. A true ethical, values-based or authentic intention is often hindered by circumstance and context. For an intention to become actual behaviour, moral cognition is required (Brown & Treviño, 2006; Treviño et al., 2000). Behavioural leadership studies mention integrity, altruism, motivation of others, and encouragement as values which drive leadership behaviour (Pless & Maak, 2011; Mihelic et al., 2010; Martin, Resick, Keating, & Dickson, 2009; Kalshoven & Den Hartog, 2009; Resick, Hanges, Dickson, & Mitchelson, 2006). This perspective is also shared with *steward and servant leadership* approaches (April et al., 2013; Dierendonck, 2011; Piccolo et al., 2010; Toor & Ofori, 2009; cf. Northouse, 2013; Yukl, 2013). Again, operational context, corporate culture and the importance of role modelling are widely ignored in these studies.

In their behavioural leadership study, Mihelic et al. (2010) conclude that ethical leadership is mostly concerned with the avoidance of unethical leadership. CSR also aims at avoiding unethical behaviour; however, as established in Sect. 3.3.5 and opposed to process and codes, it can be concluded that leadership behaviour is the factor more convincing to resolve ethical dilemmas, and leaders are a primary source of ethical guidance.

According to Grojean et al. (2004), collective leadership behaviour is the basis for organisational development (OD). Here, ethical leadership is based on values, sets examples and clear expectations of ethical conduct, provides feedback, develops people, appraises, acknowledges diversity, rewards appropriate behaviour, trains and mentors. Other studies root in social exchange and learning theory and organisational development. According to Marsh (2013), ethical leadership

can be learned from others, provided self-reflexivity, mindfulness, self-reflection, observation, and dialogue exist. Also, following Hassan et al. (2014), the empowerment of ethical leaders.

Hansen, Alge, Brown, Jackson, and Dunford (2013) state that relationships with subordinates can be improved by exerting ethical leadership, also resulting in higher employee commitment. While learning from each other seems a vital influence on leadership behaviour, it remains unknown whether such behaviour changes occur in reality, and how these affect culture. Such a learning environment requires a supporting corporate culture, an enabling leadership climate, role modelling, and that the organisational context can be controlled. While many organisations try to implement OD projects aimed at avoiding unethical behaviour, these projects often fail, as consistency is a main factor in such OD measures (Millar, Delves, & Harris, 2010). Kacmar et al. (2011) add that ethical leadership behaviour is sensitive to the specifics of gender and corporate politics. Social exchange in organisations is influenced by such corporate interventions and politics, resulting in flawed OD projects.

Ethical leadership requires moral agency and the autonomy to act, grounded in moral reasoning and cognition (Jordan, Brown, Treviño, & Finkelstein, 2013; Wright & Quick, 2011). Piccolo et al. (2010) assume ethical leadership can drive the structuring of work and task significance; here, ethical leaders do not compromise ethical values for short-term gains, while improving task performance, ethical job design, corporate citizenship (CC) and autonomy. This seems unrealistic in operational environments, where short-term gains are discussed all the time, 'job design' is less developed, and autonomy is normally less given.

Mayer et al. (2012) conclude that ethical leadership is important to ensure ethical conduct; without stating this explicitly, the authors call for an ethical leadership culture. D'Amato and Roome (2009) introduce such a dimension of a 'leadership' culture; while this culture forms part of a corporate culture, it can be distinguished and is framed by the observable shared behaviours of leaders of all levels, the majority being middle managers and team leaders, not CEOs.

To sum up, ethical leadership research started from a research context looking at individual traits and virtues before becoming integrated into steward, authentic, and transformational leadership research. Later studies turned to looking at social context and collective leadership behaviour. The most recent focus is on how ethical leadership can change the organisational culture, or how it can be utilised for OD interventions (De Roeck, Marique, Stinglhamber, & Swaen, 2014; Jondle, Ardichvili, & Mitchell, 2014; Lee, Scandura, & Sharif, 2014; Grojean et al., 2004). In parallel, CSR research is looking at how organisations can become more ethical and responsible, but concentrating on process and regulations, more or less completely ignoring the vital role leadership and middle managers play, particularly in determining or changing corporate culture.

Corporate ethical culture and climate are shaped by individual and collective ethical leadership behaviour, and, in a circle, ethical leadership is relying on a supportive culture and climate (De Roeck et al., 2014; Jondle et al., 2014; Lee et al., 2014; Kaptein, 2011).

How such a leadership culture is shaped and influenced and how such a culture supports ethical conduct and behaviour remain central questions. There are several research gaps in the contributions. These concern mainly:

- The extent to which role modelling is an integral part of ethical leadership,
- The question of who exerts more ethical leadership impact in an organisation, boards or middle managers,
- The extent to which organisational context influences ethical behaviour,
- How ethical leadership concepts and processes can be embedded in organisations, and in consequence,
- How culture and climate could be changed for a successful implementation.

These issues will be reviewed in the following sections, starting with how ethical leadership concepts may be embedded in organisations.

### **3.3 Embedding Ethical Leadership Concepts and Processes in Organisations**

One central question is, how ethical leadership can be embedded in organisations, which would enable moral persons to act as moral managers as well. The literature review has revealed three main approaches for an embedding of ethical leadership in the organisational context:

- A focus on process: codes of ethics, an ‘ethical infrastructure’ (Kaptein, 2009), process communications, training and coaching, for example on ethical decision making processes;
- A focus on leadership: mutual influence, influence from top and middle leaders, role modelling, and finally,
- A focus on transforming organisations by influencing culture and climate.

As the next three sections will review, all three approaches require organisational change, active leadership, and normally, an organisational ‘mandate’ drawing from ethical cultural values (Eisenbeiß & Giessner, 2012; Kaptein, 2009).

Most studies use the terms ‘culture’ and ‘climate’ interchangeably, though they really mean different phenomena, as Sects. 3.3.6 and 3.3.7 will discuss. Also, most of these studies ignore the realities of operational context, and underestimate how difficult it is to change organisational culture.

Embedding ethical leadership into organisations requires a fundament, discussed in the following three sections:

- Dealing with context (Sect. 3.3.1).
- An understanding of corporate culture (Sect. 3.3.2), and
- An understanding of transformational change (Sect. 3.3.3).

The next section discusses the neglected importance of organisational context.

### 3.3.1 *Factoring in Operational Environment and Context*

There is a tendency in many studies to assume that embedding ethical leadership will somehow form a favourable environment, without stating how ethical leadership can actually achieve this. Walumbwa and Schaubroeck (2009: 1283) conclude that “*it should be recognized that work context may also influence leaders’ ethical behaviour*”. This is more than an understatement; it is a representative and fundamental underestimation of operational context.

Avolio and Gardner (2005) emphasise the importance of the environment and the context in which leadership interactions occur. According to Stenmark and Mumford (2011), research analysing the situational context of ethical decision-making is still limited. They suggest performance pressure, interpersonal conflict, conflict between an organisational rule and a specific situation and too much or too little authority or autonomy as contextual factors, which influence moral integrity and ethical behaviour. The operationalisation of situational context is complex and difficult to measure, so quantifying studies tend to avoid the analysis of contextual issues in their quest to reduce realities to a manageable number of correlating factors.

Situational context challenges the integrity of leaders and is typical for operational environments: from moral motivation and cognition to ethical action, circumstances get in the way, as Dean and Sharfman (1996) state. Weber and Wasieleski (2001) posit that managers from a manufacturing background have the lowest moral reasoning capabilities. Eventually this is a consequence of context, not a lack of capabilities.

The study of Schminke, Wells, Peyreffite, and Sebor (2002) is one of the few with an operational focus, considering how ethical leadership affected 36 work groups. This study unfortunately only vaguely defines ethical leadership as a ‘people orientation’ following (further undefined) ‘ethical principles and moral standards’. The study reports that only ethical leaders exerted a strong influence on the ethical behaviour of their teams, while for the others, ‘contextual factors’ prevented this.

Nielsen and Cleal (2011), researching middle managers, reported that the following leadership activities mitigate negative context and situational work factors: meaningful work, maintaining control, motivation of co-workers and information sharing. However, in fast-paced operational environments, exactly these activities are difficult to establish and maintain.

According to Eisenbeiß and Giessner (2012), contextual factors are relevant to ethical leadership and are still under-researched. However, not leadership is the answer to dealing with the context; instead, the authors conclude that context needs to be controlled via an ethical infrastructure based on process, rules and regulations. This would require proper process communications (cf. Kaptein, 2009; Brown & Treviño, 2006). However, many studies describe that such an infrastructure cannot be sustained without proper leadership (Göbel, 2010; Kish-Gephart et al., 2010a, b; Mihelic et al., 2010; Painter-Morland, 2010; Clausen, 2009; Helin & Sandström, 2008; Talaulicar, 2007). Furthermore, the needed process communication is often neglected or perceived as non-credible (Eisenbeiß & Giessner, 2012; Hind, Wilson,

& Lenssen, 2009). A supporting culture and climate is relying on all these instruments and leadership as well to control context.

Context may be stronger than the integrity or moral cognition of the involved leaders. Embedding ethical leadership in organisations requires managers to factor in the context and thus the processes and performance management driving it. Also, leadership climate and corporate culture have been mentioned repeatedly now as a needed environment which can both be hindering or supportive. Culture determines how context is dealt with. Forming an ethically oriented culture is a key for implementing business ethics (Wines & Hamilton, 2009; Treviño, 1986). However, changing organisational culture is very difficult and requires real transformational change.

### ***3.3.2 Factoring in the Role of Corporate Culture***

Leadership is central in creating an ethical climate and culture (Rubin, Dierdorf, & Brown, 2010; Mulki, Jaramillo, & Locander, 2009; Brown & Treviño, 2006). There is also agreement, that an ethical culture can be created and strengthened through appropriate leadership behaviour (Webb, 2012; Schein, 2009; Huhtala, Feldt, Lämsä, Mauno, & Kinnunen, 2011; Ardichvili & Jondle, 2009; D'Amato & Roome, 2009; Kaptein, 2009; Toor & Ofori, 2009; Resick, Hanges, Dickson, & Mitchelson, 2006; Schein, 2004; Weaver, 2001; Arnold, Lampe, & Sutton, 1999; Kanungo & Mendonca, 1996). Before it is further analysed, how ethical leaders are expected to influence culture, or how ethical leadership can be embedded in a culture, an understanding is needed why culture plays such a pivotal role.

Most ethics implementations and change interventions are aiming to change the culture (Weaver, Treviño, & Cochran, 1999; cf. Nitkin, 2012). However, Kavanagh and Ashkanasy (2006) claim that executives generally underestimate the role that corporate culture plays: a strong social control system making change difficult. Schein (2004) describes organisational culture as 'learned responses' which form a 'taken for granted' mentality. Employees of an organisation have expectations about the way in which tasks are done. For most employees, it would be the middle managers who shape and influence the way 'tasks are done': a group not often considered by leadership research.

Schein (2004, 2009) describes the levels which define culture as 'artifacts' (what you see, hear and feel), or 'espoused values', which affect, for example, how meetings, teamwork, empowerment or hierarchies are dealt with. 'Shared tacit assumptions' form another, deeper level, influenced by company history and concepts like shareholder value, family owners or a controlling mentality. Culture is formed by 'shared patterns of collective assumptions' which guide problem-solving and behaviour, which can be learned (Schein, 2004).

Culture has often been compared with an iceberg, a notion going back to Hall (1976): little can be seen above, as culture is mostly hidden below the surface. The surface culture is often expressed by architecture, dress codes, codes of behaviour,

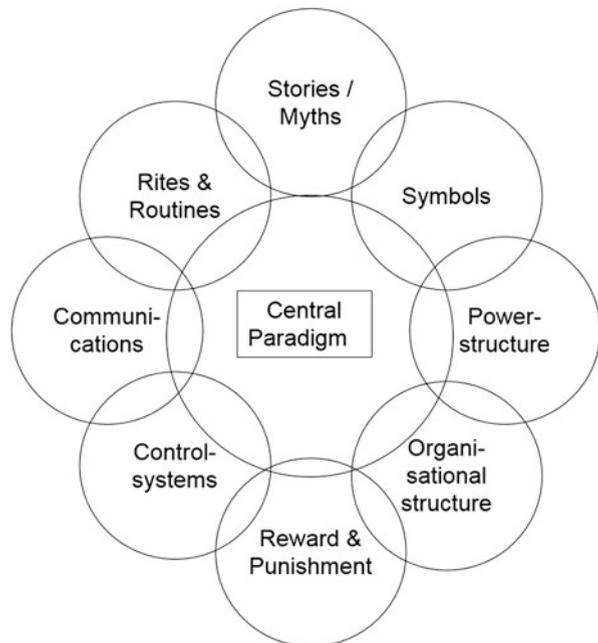
company car policies, and how people visibly behave—easy to observe for visitors or customers. However, culture is built on several invisible layers consisting of collective expectations and assumptions, norms, values, and belief systems (Hall, 1976). Leadership and how it is executed, then, is obviously based on these collective assumptions and how these actually form behaviour, and less on HR policies, especially if those are not followed up.

As organisational culture is engrained so deep and in several layers into the corporate DNA, and new hires are often selected for cultural fit, it is very difficult to analyse and change, and sometimes impossible, to change a culture (Hofstede, 2012; Schein, 2009; Trompenaars & Hampden-Turner, 2011; Verhezen, 2010; Schein, 2004; Goffee & Jones, 2003; cf. Lee et al., 2014; Nitkin, 2012).

Alvesson (2013) defines culture as a mix of perceptions: symbols (rituals, myths, stories and legends), interpretations (of guiding experiences and group influences), and how values are treated. According to Hofstede, Neuijen, Ohayv, and Sanders (1990), values are at the ‘core’ of an organisation, acting as the main cultural influence. Johnson and Scholes (1997) refer to this ‘core’ of organisational philosophy or belief system as the ‘central paradigm’; only a paradigm shift can deconstruct the layers of corporate culture. The cultural layers circle around the central core belief system, forming the ‘cultural web’ (see Fig. 3.2 below). ‘Myths’ for example are often from founding figures or difficult situations; they can energise, but also become a legacy or burden.

Such ‘paradigm’ shifts are extremely difficult and can destroy a culture. The opposite is more common practice: in order to be successful, organisations spend

**Fig. 3.2** The ‘cultural web’. *Source:* Johnson and Scholes (1997, pp. 218–223)



year after year to increase process conformity, aligning their culture to the critical tasks and skills which make up their competitive edge and which form the fundament of strategic intent, up to a point that when the markets change, very successful organisations cannot adapt and change their culture anymore (Tushman & O'Reilly, 1997). Markets changes often result in a dysfunctional culture (Goffee & Jones, 2003; Burke & Litwin, 1992).

For Schein (2004, 2009), leaders are the primary drivers and architects of culture. For other authors, departmental structures which guide processes and collective actions are formative. The structure of an organisation forms the culture by determining process, influence, and decision making (Morgan, 2006; Goold & Campbell, 2002; Mintzberg, 1993). Here, leaders are not drivers of change, but rather actors of the culture in which they thrive, or would otherwise leave. Depending on their agility and decision-making processes, cultures have been described as 'organism', 'machine', 'bureaucracy', 'brains', 'political systems', or 'psychic prisons'. These metaphors describe the main cultural attributes of how an organisation is perceived (Morgan, 2006).

Systems theory describes structures and their 'inhabitants' as systems and sub-systems, which can become self-referential, when sub-cultures create their own rules, languages and culture (symbols or routines), which are extremely difficult to change (Simon, 2007; Backhausen & Thommen, 2006; Luhmann, 1981).

Culture is also influenced by cultural dimensions of the surrounding society (Liden, 2012; Crane & Matten, 2010; Göbel, 2010; Fisher & Lovell, 2009; De George, 2009). Such cultural dimensions are power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, universalism versus particularism, neutral versus emotional attitudes, achievement meritocracy versus ascription or status, or long-term versus short-term orientation (Hofstede, et al., 1990, 2012). Trompenaars and Hampden-Turner (2011) add cultural dimensions as how time and punctuality are perceived, whether an organisation looks into the past, the present, or the future, how internal and external control is executed, the environment valued, and equality versus hierarchy perceived. Organisational values are based on such dimensions and cannot become haphazardly exchanged; the same applies for ethical perspectives and values (see Sect. 3.1.1).

Changing a culture is a complex task; embedding ethical leadership to change culture and climate requires a holistic approach. Before theories describing how ethical leadership may be embedded into organisations are further examined, transformation and change are discussed as a needed prerequisite.

### ***3.3.3 Factoring in Real Transformational Change***

Murphy (1988) estimates that as few as 10 % of all strategies related to ethics are effectively implemented. In a more recent study, Parker, Charlton, Ribeiro, and Pathak (2013) report a 70 % *overall* failure rate for change management initiatives. Fredrickson and Iaquinto (1989) state a root cause for these ubiquitous failures:

many change decisions are flawed, as corporate inertia permits the decision-making process itself not to be improved. While change initiatives often address structures, leaders and resource allocation, these flawed decision-making processes remain. Following Nitkin (2012), it is for the same reasons that ethics and CSR change initiatives fail, because the mindset does not change and particularly the governance model of the organisation fails to change as well. An example would be that an organisation wants to improve customer satisfaction, but the performance measurements in place still measure transaction fees or time spent with the client, with the strategic goal of minimising this costly resource. In order to assess what constitutes a successful implementation, Proctor et al. (2011) propose research on evaluation methods of 'implementation outcomes', covering the issues of acceptability, adoption, appropriateness, feasibility, implementation cost, penetration and sustainability.

The vital point this book makes is, that leaders, not processes or regulations, play a central role in pushing these issues. Transparency, for example, is another key demand in change situations; ethical leaders are more prepared to concede this; they are also better equipped to overcome resistance (Sharif & Scandura, 2014). A study by Carlson and Perrewe (1995) concludes that ethical transformation needs an ethical orientation of the leaders, top management support and an established corporate ethics policy.

Ethical leadership is believed to be particularly suited to organisational change situations (Sharif & Scandura, 2014; D'Amato & Roome, 2009; Kavanagh & Ashkanasy, 2006; Carlson & Perrewe, 1995). Trust and integrity are only part of the underlying reasons; employees feel more valued and involved when decisions are based on ethical reasoning.

Ethical leadership studies conclude, that change is needed, proposing processes, training, codes of ethics and communications. While all these are undoubtedly useful enablers, these proposed measures are not supported with change management or cultural change theories. Supporting instruments and initiatives do not automatically result in real change, let alone cultural change. If a cultural change is not achieved, the transformation to improved levels of morality is blocked (Verhezen, 2010).

The purpose of this section is not to generally discuss change management theory, however, there needs to be an understanding that without successful change management interventions, embedding ethical leadership will not be successful. Most studies tend to omit this challenge, which is a serious one up to today.

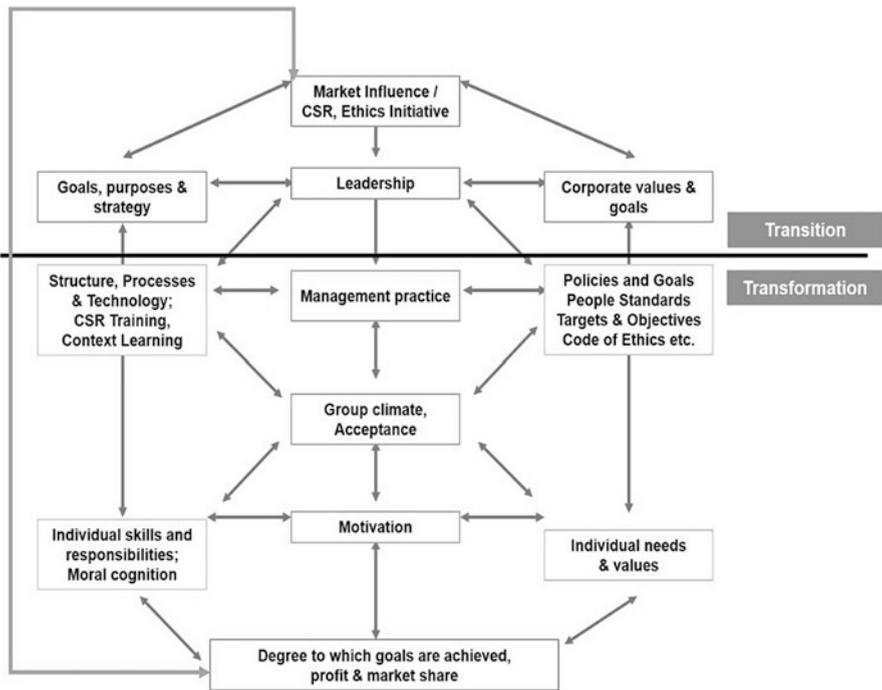
Recent studies conclude that ethical leadership needs to be concerned with forming an ethical culture and climate (Lee et al., 2014; Jackson, Meyer, & Wang, 2013). However, little is contributed to the 'how'. Leaders are subject to change imposed on them themselves, which weakens any leadership aspects of role modelling or change agency considerably.

Arnold et al. (1999) state, that ethical improvements are only possible by addressing the culture. Ethical culture follows a developmental curve in four stages: absence of ethical intuition, passive support of ethical thinking, active pursuit and total integration. The latter two stages of maturity can only be reached if individuals

with moral cognition and supporting corporate ethics programmes combine their forces. Developing both the leaders and the processes is the basis for an improving cycle of ethical culture; this would be a key change activity particularly in operational environments.

To transform organisations into more ethical ones, a system of well-coordinated and sequenced activities is needed to change individual behaviour and the corporate culture. Pless, Maak, and Stahl (2012) suggest such a sequence: before organisations try to implement ethics, leadership programmes should develop responsible managers who possess ‘cultural intelligence’ and ‘ethical literacy’. However, Treviño et al. (2006) warn that unprofessional ethics-oriented interventions can be perceived as ‘manipulative intrusions’ with counterproductive outcomes. There is also a cross-cultural dimension: particularly US American-style ethics programmes meet cultural objection when implemented in Europe or Asia, where social relations need much less codification (Tricker, 2012; Hooker, 2009; Resick et al., 2006; Scheeres & Rhodes, 2006; Weaver, 2001).

While there is an abundance of change management theory in extant research, very few studies address the importance of holistically driving change by process, leadership, and cultural change in parallel. One such holistic model (see Fig. 3.3 below) is a systems theory framework (Burke & Litwin, 1992).



**Fig. 3.3** Burke and Litwin (1992) model (adapted, partly relabelled and enhanced for ethics/CSR implementation by the author)

*The “causal model of organisational performance and change” (Burke/Litwin):*

The model looks at ‘transitional’ versus ‘transformational’ factors. If an initiative stays within the transitional state, it remains an idea, a strategy paper, or a mere intention. It is only when an initiative reaches enough force and impact to achieve the desired change goal, i.e., the ‘transformational’ stage, it can count as embedded or implemented. The model is cyclic, as indicated by the arrow from the bottom to the top box. If an intervention is not successfully implemented, markets or organisations will react. This is why companies seem to start one initiative after the other. All structural parts of the system are highly interdependent, as indicated by the small arrows.

The black line separates the idea from actual implementation; defended by the middle management, any initiative would have to successfully cross this line in order to become real, i.e., transformational. The subsystem called ‘management practice’ is a decisive one for this research. When middle managers do not accept instruments, policies, processes, or training, initiatives fail.

The model also addresses motivation and climate, pointing to the fact that any initiative must suit the culture, otherwise it will not have alignment or strategic fit, and, as a consequence, no impact on performance. Many boardroom ideas never or only partly reach the operational parts of the organisation.

As Burke and Litwin (1992) state, managers are often concerned with the left side of the model such as mission, strategy, and process instruments, while HR and organisational development specialists are concentrating on the right, behavioural side, reverting to values, people and HR systems, policies, and rewards. The middle is often neglected: leadership, what middle managers actually do, how they cooperate, their motivation levels, the cultural fit of the interventions and the consequences for climate, and the support and resistance levels. Culture and climate are incorporated in the model.

Leadership studies generally neglect the original foundations of culture, confusing these and their interpretations with those of the organisational climate (Denison, 1996). Effectively, numerous ethical leadership studies reviewed here use the terms ‘ethical culture’ or ‘climate’ interchangeably, and have to be separated according to what kind of change they aim at.

For this, the working definition in this study is the following (cf. Schein, 2004; Denison, 1996; Burke & Litwin, 1992):

- Culture is understood as a social control system, which is subject to evolution and can be influenced by processes and leaders. Culture is an expression of underlying assumptions and expected behaviours.
- Climate is understood as the impact that the cultural social system has on individuals and groups. Climate is more an expression of the perceived impact of the behaviours and processes encountered within the existing organisational culture.

Following the structure of the Burke/Litwin model, at first it is reviewed how ethical leadership may be embedded by processes (Sect. 3.3.4) and by role modelling (Sect. 3.3.5). These two approaches affect culture and climate, which are reviewed in Sects. 3.3.6 and 3.3.7.

### ***3.3.4 Embedding Ethical Leadership by Process***

The implementation of ethics processes and programmes often aims at a cultural change in organisations, usually involving formal ‘ethics’ policies, codes, committees, communications and ombudspersons (Weaver et al., 1999; cf. Nitkin, 2012). Grojean et al. (2004) however argue that policies are not enough to gain lasting changes in ethical behaviour. Talaucar (2007) proposes that ethics training and audits can enhance how codes are followed. By contrast, Svensson and Wood (2011) argue that formal ethical structures are needed in order to improve ethical behaviour. Butterfield et al. (2000) suggest training and communications for an implementation of ethical leadership, while Garofalo (2003) argues this is ineffective.

Processes like ethical training, coaching and feedback instruments aim at building ethical capacity and enabling environments (Rama, Milano, Salas, & Liu, 2009). Coaching is also suggested to enhance ethical behaviour (Van Velsor & Ascalon, 2008). Ethical behaviour can also be enhanced by enabling action-based learning in the workplace while ethical dilemmas are discussed (Ardichvili & Jondle, 2009; de Haan, 2008; Delaney & Sockell, 1992). Lau (2010) suggests that ethics training does lead to greater awareness and moral reasoning. However, De Haan (2008) writes that values are very difficult to train or coach, because they are rooted so deeply in the layers of the person under-going training. Mayhew and Murphy (2009) report that an ethics education does not necessarily lead to internalised ethical values, but still has a positive impact on ethical behaviour. Dean, Beggs, and Keane (2010) state, that few organisations support ‘ethical’ training interventions. Also, little leadership training is offered to industrial or manufacturing leaders (Paci, Lalle, & Chiaccio, 2013).

Again, however, research has not fully addressed the impact of the workplace context on ethical responses to highly challenging situations (Langlois & Lapointe, 2010). For a better control of context, White and Lam (2000) introduce an ‘ethical infrastructure’ designed to change organisations, suggesting that rules, policy, process, motivation and value systems coupled with the ability to resolve ethical dilemmas are the needed levers.

According to Carlson and Perrewe (1995), culture change by institutionalisation of ethics means formal and explicit incorporation into daily business life. Kaptein (2009, 2011) and Brown and Treviño (2006) propose an ethical infrastructure based on rules, regulations and process communication. For the establishment of an ethical infrastructure, Kaptein (2011) proposes nine components (which are typically part of ethics programmes and ethical leadership processes):

- Code of ethics.
- Ethics office(r).
- Ethics training and communications.
- Pre-employment screening on ethics.
- Monitoring and auditing of ethics.
- Ethics/whistle-blowing hotline.

- Incentives and rewards policies for ethical conduct.
- Policies to hold staff accountable for unethical conduct.
- Response policies for unethical conduct.

Such processes are often designed to support the implementation of ethical business programmes. Compiling the writings of Biehl, Hoepner, and Liu (2012), Holland (2011), Blowfield and Murray (2011), Crane and Matten (2010), Göbel (2010), Fisher and Lovell (2009), De George (2009), and Clausen (2009), business ethics and leadership initiatives typically comprise processes like (see Chap. 2 for more details):

- *Ethical Theory and Values*: At the beginning, organisations often analyse their values as a basis for understanding business ethics. This is usually also an initial part of *Ethics education and training*, and
- *The creation of visions and value or sustainability statements*.
- *Governance and responsibility themes* of business ethics deal with measuring responsibility, transparency, control, compliance, regulations, laws, (social) accountability, and the introduction of CSR, codes of ethics, or corporate citizenship (CC) (Lin, 2009).
- The *Stakeholder Management* approach looks at balancing the interests of all stakeholders. As Parmar et al. (2010) state, stakeholders are at the centre of where capitalism and ethics connect.
- *Employee Management* touches many ethical areas as discrimination, sexual harassment, fairness etc. (Winstanley & Woodall, 2000).
- *Clients and consumers* protection: the pressure on companies to be seen acting accordingly is constantly rising; *Greenwashing and whistleblowing* are other topics where ethical theory addresses the dilemma of proper external and internal governance and responsibility (Carrington, Neville, & Whitwell, 2010; Eckhardt, Russell, & Devinney, 2010; Göbel, 2010; Crane & Matten, 2010; Clausen, 2009).
- *Globalisation and Ethical Sourcing* is a ‘blessing’ opening chances as well as a ‘curse involving many risks’ (Stonehouse, Campbell, Hamill, & Purdie, 2004: 8; Yip, 1992). For Voegtlin, Patzer, and Scherer (2012) and Carroll (2004), global sourcing is the main reason for ethics and responsibility issues.
- *Ethical decision making*: organisations desire to implement better, more ethical processes while fighting corporate politics (cf. Dean & Sharfman, 1996). Following Pimentel, Kuntz, and Elenkov (2010), ethical decision-making is linked to individual ethical stances as well as to the ‘ethical compass’ the organisation provides. Such a ‘compass’ is formed by processes ensuring ethical conformity, and by leadership with values-based ethics.

It is debatable, whether ethical leadership can be successfully embedded relying on such processes alone. According to Kolthoff, Erakovich, and Lasthuizen (2010), regulations are vital, but organisational integrity really depends on ethical leadership and an ethical climate. Such a climate is needed to fight corruption successfully, their comparative study shows. The assumption in this book is rather that the above processes require the right leadership climate in order to become implemented.

In order to enhance ethical leadership processes, organisations evaluate the behaviour of their leaders and employees. Applying such measurements and instruments is also a process, aiming at analysis and change. These instruments measure either individual ethical behaviour of leaders, or the maturity levels of processes which were implemented to form an ethical culture (Yukl, Mahsud, Hassan, & Prussia, 2013; Moorman, Darnold, Priesemuth, & Dunn, 2012a, b; McCann & Holt, 2009; Walumbwa & Schaubroeck, 2009; Treviño & Brown, 2007; Brown, Treviño, & Harrison, 2005; Brown & Treviño, 2002; Craig & Gustafson, 1998). Dickson, Castaño, Magomaeva, and Den Hartog (2012) speak of a North American bias in such measurements. However, many recent studies introducing instruments measuring ethical leadership and organisational maturity are from a European providence (Jondle et al., 2014; Langlois, Lapointe, Valois, & de Leeuw, 2014; Voegtlin, 2011; Huhtala et al., 2011; Kaptein, 2011; Lasthuizen, Huberts, & Heres, 2011; Kalshoven et al., 2011; Riggio, Zhu, Reina, & Maroosis, 2010; Rowold, Borgmann, & Heinitz, 2005; Kaptein, 2009).

Yukl et al. (2013) criticise that the absence of unethical behaviour is not a measure of ethical behaviour. However, according to White and Lean (2008) and Parry and Proctor-Thomson (2002), considering how difficult it is to maintain an ethical stance in an operational environment, the absence of such behaviour could well be regarded as a success.

Viewed through the lens of the Burke/Litwin model (see Sect. 3.3.3) it seems unlikely that ethical leadership can be successfully embedded solely based on processes. According to Kolthoff et al. (2010), regulations are vital, but organisational integrity really depends on ethical leadership and an ethical climate. Processes can only partly change a culture; most processes aim at individual leadership behaviour, so this behaviour, if successfully changed, becomes the key change driver, and can be understood as an enabler of an 'ethical culture' (De Roeck et al., 2014; Jondle et al., 2014; Lee et al., 2014).

One approach often mentioned in extant research is role modelling, which is discussed in the following section as a basis for social learning and a source of cultural change, supporting the formation of an ethical leadership climate.

### ***3.3.5 Embedding Ethical Leadership by Leadership Behaviour: The Importance of Role Modelling***

Several studies, guided by social learning theory, claim that role modelling exerts great influence and is a very important characteristic or core function of ethical leaders (Alshammari, Almutairi, & Thuwaini, 2015; Brown & Treviño, 2006, 2014; Eisenbeiß, 2012; Avey, Wernsing, & Palanski, 2012; Mayer, Kuenzi, & Greenbaum, 2010; Mayer et al., 2012; Shin, 2012; Ruiz-Palomino & Martinez-Canas, 2011; Kaptein, 2011; Huhtala et al., 2011; D'Amato & Roome, 2009; Sama & Shoaf, 2008; Brown et al., 2005; Veser, 2004; Szabo et al., 2001; Treviño

et al., 2000; Treviño & Youngblood, 1990). Weaver, Treviño, and Agle (2005) summarise the following characteristics of ethical role models:

- Interpersonal behaviours: care, concern, values and relationships; supporting and responsibility for others;
- Fairness with others, based on equally distributed resources, equal respect and explaining decisions;
- Ethical action and respect of self, based on honesty, trustworthiness, integrity, humility and consistent ethical behaviour;
- Articulation of ethical standards, based on consistent vision and holding others accountable;
- A stakeholder perspective.

As Langvardt (2012) explains, ethical leaders are not fully developed from day one—they need to survive many ethical dilemmas before reaching senior levels. In order to become ethical role models, they are relying on other role models, which is difficult without an ethical culture. Consequently, managers on the way to the top may give up maintaining an ethical or moral stance, as pressure for results and operational dilemmas rises (Morrison, 2005). Hence, leaders on their way to the top can lose their ‘character’ (Wright & Quick, 2011) or turn into unethical leaders (Brown & Mitchell, 2010). Dean et al. (2010) state that the conflict between ethics and realities and internal pressure account for over a third of the unethical situations they had analysed.

Role modelling of ethical behaviour can ‘trickle down’ to lower levels of management (Mayer, Kuenzi, Greenbaum, Bardesa, & Salvador, 2009). Hansen et al. (2013) and Jordan et al. (2013) state that ethical role modelling influences and improves corporate culture. These three studies describe the ‘tone from the top’ by senior role models as very influential (cf. Hambrick & Mason, 1984). Is this a reality for middle managers or for operational units? Weak corporate cultures can significantly dilute such ‘trickle-down’ effects, as Hansen et al. (2013) admit. However, weak corporate cultures are usually ‘weak’ because middle managers do not support the issues at hand (cf. Burke & Litwin, 1992). Weaver et al. (2005) support this aspect by describing ethical role modelling as being based on direct interactions, usually with supervisors and peers, not with distant senior executives or board members, whose influence they describe as overestimated.

As Carpenter, Geletkanycz, and Sanders (2004) state, the environmental, leadership and organisational contexts are not integrated sufficiently by those studies underlining the importance of the CEO as a role model. The authors particularly reject the seminal article fusing ‘upper echelons’ research by Hambrick and Mason (1984). This leads back to the question (explored further in Sect. 3.4) of who is more influential on shaping culture as an ethical role model: top or middle managers?

Like process changes, role modelling also aims to influence organisational culture (Huhtala et al., 2011). Organisational change, driven by ethical leadership, is a desired approach in many studies; however, operational context and realities are often disregarded. The next section describes the transformation of organisational culture, which seems the aim of most approaches embedding ethical leadership.

### ***3.3.6 Embedding Ethical Leadership by Establishing an Ethical Culture***

Nwanji and Howell (2007) describe the difficulties corporate governance faces in dealing with unethical business practices of corporate boards. Also, non-executive directors can have difficulties in controlling managers (Crossan, 2011). Vaiman et al. (2011) posit that a weak governance culture invites unethical decisions and self-servicing of stakeholders. Nitkin (2012) states that such a 'governance' culture exists as much as a corporate culture, and while specific governance policies can be mandated, this governance culture is not easily changed. Even after governance regulations, rules or senior managers have changed, Nitkin warns, the governance culture often remains the same. This may explain why the implementation of ethical rules or CSR often does not change the organisation.

Ethical leadership is expected to follow up, control and transport ethical values from paper to process to people. Role modelling of ethical leaders is the culture-changing influence making the difference. Following Toor and Ofori (2009), a 'moral manager' who is trustworthy, honest, reliable and credible has the greatest influence on the organisational culture. Ruiz et al. (2011) claim that ethical leadership without a moral dimension is unthinkable; only morality will lead to an improved relationship of superiors with employees.

Autonomy to act and a supportive culture are needed for good leadership practices to prevail (Avery & Bergsteiner, 2011; Reis, 2010). However, 'trickle-down' effects, which influence a corporate culture, can only exist if the entire management suite from the top to local supervisors is grounded in moral understanding. Without empowerment to act morally, such processes will not transform the organisation (Kanungo & Mendonca, 1996).

Following Vesper (2004), embedding processes needs to be designed to change the cultural fabric of behavioural norms. Even the language needs to change if a transformation of culture is aimed at (Van Zolingen & Honders, 2010). Victor and Cullen (1988) establish five ethical cultural dimensions: law and code, caring, instrumentalism, independence and rules. In the 'independence' culture, personal moral and own ethical beliefs are at the centre. In the 'instrumentalism' culture however, the interests of the company prevail. According to Ardichvili, Mitchell, and Jondle (2009), ethical business cultures are based on five characteristics: mission- and values-driven, stakeholder balance, leadership effectiveness, process integrity and long-term perspective. Barnes (2007) states that top managers will find it much harder to turn 'bad' if they are acting against an ethical culture.

Ethical behaviour is supported via a culture, in which ethical problems can be openly discussed (Murphy, 1988). This is concurrent with recent findings of Kaptein (2011), Kolthoff et al. (2010), and van Zolingen and Honders (2010). The formation of such an ethical culture is believed to be a key task for a successful implementation of ethical leadership (Stouten, van Dijke, & De Cremer, 2012; Toor & Ofori, 2009; D'Amato & Roome, 2009; Kaptein, 2009; Sinclair, 1993; Treviño, 1986).

There is a systemic circle: culture influences the leaders, and leaders shape the culture (Szabo et al., 2001). D'Amato and Roome (2009) state that before a culture can be formed, resources and processes need to be allocated first, if role modelling is to establish an observable shared behaviour of leaders. Treviño, Butterfield, and McCabe (1998) describe both ethical context and ethical attitude and behaviour as part of an ethical culture.

In many research studies, as stated before, cultural elements just seem to exist. The fact that it actually takes the actions and leadership qualities of (middle) managers to bring these elements into existence, is ignored. D'Amato and Roome (2009) state that further research is needed to shed light on the factors that limit or support ethical practices and an accompanying leadership culture.

As all cultures, an ethical culture is based on congruence, cultural fit and acceptance. This requires staff to be able to identify themselves with the ethical leadership style, as well as having the freedom and will to oppose unethical leadership (Brown & Mitchell, 2010; Trapp, 2010). Those perceived norms of ethical conduct are the foundation for ethical culture and climate (Rubin et al., 2010).

Webb (2012), analysing correctional services challenged with offences, problematic conduct, and corruption, posits that an ethical culture is of utmost importance. Webb proposes an 'integrity management' approach based on corruption prevention, values, and a focus on compliance with rules, which shapes a better culture even in very difficult working environments. Including all managerial levels, only the development of a *unified* understanding of norms, standards and sanctions has the most potential for the creation of an ethical culture (Schaubroeck et al., 2012). Furthermore, Stouten et al. (2012) and Simha and Cullen (2012) report, that ethical leadership improves perceived job satisfaction and fairness in balancing workloads and is useful for discouraging deviant behaviour (bullying, harassment), this way shaping the corporate culture.

Forming an ethical culture requires a holistic approach, based on transformational change management. Culture is formative of the climate. The creation and formation of an ethical climate have also been described as one of the most beneficial effects that ethical leadership can have on an organisation. The next section will review the research contributions discussing the creation of an 'ethical climate'.

### ***3.3.7 Embedding Ethical Leadership by Establishing an Ethical Climate***

Embedding ethical processes also aims at the establishment of an ethical climate (Kaptein, 2009, 2011; Wimbush, Shepard, & Markham, 1997). However, Schaubroeck et al. (2012) confirm that ethical strain, emotional exhaustion and

excessive work engagement (which is typical for operational areas) can harm the development of a strong ethical climate, even if all ethics processes and instruments are in place. Weaver adds, that 'moral identity' and responsibility requires co-operation among leaders, which is not always a given. Ethical leaders are also identified as a primary source for shaping ethical climate (Shin, 2012; Mayer et al., 2010; Rubin et al., 2010; Mulki et al., 2009; Brown & Treviño, 2006; Engelbrecht, Van Aswegen, & Theron, 2005; VanSandt & Neck, 2003; Dickson, Smith, Grojean, & Ehrhart, 2001; Wimbush & Shepard, 1994). Climate is an expression of the perceived impact of the behaviours and processes encountered within a culture. In order to change the climate, culture needs to change first; otherwise, perceptions will not change. Forming an ethical climate clearly is a needed transformational step towards the implementation of ethical leadership, and as such, applied change management.

For Peterson (2002), an ethical climate is a key answer to prevent deviant behaviour like fraud and corruption; however, that leaders are formative of such a climate is not discussed. Research views role modelling as main influence for the formation of an ethical leadership climate, which prevents deviant behaviour (Mayer et al., 2010; cf. Shin, 2012).

'Ethical' climate is part of the overall work climate, which is influenced by social norms, organisational procedures and corporate specifics and how employees perceive typical practices and procedures concerning ethical issues (Brown & Treviño, 2006; Victor & Cullen, 1988). While processes can drive practices, applied leadership behaviour seems the key influence. DeConinck (2011) describes that an ethical work climate also feeds back into supervisory trust and enhances commitment, which can even improve the parts of the organisations that are often subject to ethical dilemmas. How can such ethical work and leadership climates be established, especially in usually hard-pressed units like sales and operations, which are easily influenced by context, pressure to reach goals and ethical dilemmas (Cohen, 1993)?

One key approach for establishing an ethical climate is to enable the organisation to resolve ethical dilemmas (Pimentel et al., 2010). This is in line with Kaptein's (2009, 2011) findings regarding discussability. An ethical climate is the foundation of an atmosphere of openness, in which difficult situations, critical conversations and ethical dilemmas can be resolved. Kish-Gephart et al. (2010a) analysed 136 studies, concluding that organisations can establish an ethical climate, initially by enabling the workplace to recognise ethical dilemmas in order to deal with them effectively. However, this requires ethical leaders with autonomy to act.

According to Fein, Tziner, Lusky, and Palachy (2013), an ethical climate relies on a perception of justice. A positive leader-member exchange can be obtained through a strong ethical climate, which also enhances the perception of trust. According to this study, organisations plagued with unethical climates and perceptions of unfair employee treatment tend to be unsafe psychological environments. Wang and Hsieh (2014) report that an ethical climate is also an important means to prevent psychological contract breaches, as following such incidents, employees

often resign, fall silent, withhold ideas, opinions and knowledge. According to this study, an ethical climate can prevent acquiescent silence.

Wimbush and Shepard (1994) point out that ethical behaviour is vital for the development of an ethical climate and that supervisors—as opposed to CEOs—are a primary source of influence in this. Ethical interventions should be primarily targeted at the higher levels, studies suggest, as upper managers have more influence on culture; they are more often faced with ethical dilemmas and have more influence (Voegtlin et al., 2012; Huhtala et al., 2011; Ruiz et al., 2011). According to Burke and Litwin (1992), this notion is highly questionable, and needs further discussion in the next section.

### **3.4 The Neglected Role of the Middle Manager: The Influence of CEOs Is Highly Overrated**

Middle managers are described as not possessing enough reflexive ethical abilities (Hind et al., 2009), they do not expect to deal with ethical dilemmas and have no approach for such challenges (Dean et al., 2010) or generally have low levels of responsibility ethics (Dion, 2012). However, operations cannot function without responsibility on all leadership levels; shift leaders and team leaders for example often act unsupervised. However, their decisions carry a lot of weight and responsibility.

Martin et al. (2009) is one of the few studies ascribing a great influence to middle managers; these, as opposed to CEOs, have the greatest opportunity to act ethically in their daily work. There are usually no CEOs as role models around, only their policies and governance models are eventually present.

Research suggesting a strong influence of high-ranking ethical leaders relies on assumptions: leaders have the opportunity to enforce ethical behaviour, because they are autonomous and sovereign, and trusted. Wray-Bliss (2013) challenges this notion, asking how leaders who are constrained by official hierarchies can live up to such a set of values, as this requires freedom to act and is based on autonomy, sovereignty, rationality, and self-control. Research uncritically assumes, he argues, that the managerial prerogative will enforce and codify business ethics and create such realities. Which, in fact, would require a substantial change of organisational culture and climate, which is impossible without the support of middle managers.

Kannan-Narasimhan and Lawrence (2012) state that employees trust their senior managers even less if they do not trust their supervisors. Rubin et al. (2010) state that for upper managers, pressure for promotability and results achievement overpowers any ethical aspects. Mulki et al. (2009) conclude that an ethical climate can only exist when all the senior managers follow ethical guidelines with a zero tolerance approach to unethical activities, which, due to this pressure, seems questionable.

There is growing criticism that leadership and business ethics research focuses too much on the CEO and the top hierarchies, while neglecting the influence of middle and lower managers (Brown & Treviño, 2014; Wray-Bliss, 2013; Voegtlin et al., 2012; Yukl, 2008, 2010; Palanski & Yammarino, 2007; Waldman, Siegel, & Javidan, 2006; Pauchant, 2005; Parry & Proctor-Thomson, 2002). It also appears that a considerable number of studies are based on interviewing retired CEOs, for example the seminal study by Treviño et al. (2003). While retired leaders are easier to access for conducting research, they tend to overestimate their influence and the success levels of their policy implementation, carry a lot of interpretation from hindsight, have mellowed with age and have a completely different self-perception from their direct reports about the time they were at the helm (Meister, 2000). They are also known to suggest many things for which they never cared and had no time during their reign (cf. Meister, 2000).

Brown and Treviño (2014) argue that those claimed ‘trickle-down’ effects are potentially elusive; the larger the organisation becomes, the smaller the influence of CEOs and boards. Sull, Homkes, and Sull (2015) go even further, questioning top-down approaches entirely, claiming that top leaders are blind to realities and strategy execution. They conclude that both the ‘C-Suite’ and researchers should completely re-think how strategy is executed in corporate realities. Brewster, Brookes, and Gollan (2014) also point to the linking role of middle managers for strategy execution. Using the example of human resource management (HRM) responsibilities, they show that while middle managers are executing HR decisions in their daily business, middle managers are often only given decision powers regarding their team like selection, reduction or recruitment. Strategic initiatives however stay within the HRM function. Following Burke and Litwin (1992), this will rather hinder strategy execution.

Carlson and Perrewé (1995) promote that ethical transformation needs an ethical orientation of *all* leaders. A more recent study from Mollick (2012) suggests that the individual contribution of middle managers and specialists carries more weight than other organisational factors and that their individual capabilities may add up to differences between companies regarding their overall performance. The Burke/Litwin model (1992) suggests that both are important, top executives and the middle managers; however, without support from middle managers, nothing moves. Chadwick, Super, and Kwon (2015) support this, arguing that research has often focused on the top of the firm, while corporate success and strategy execution relies on middle managers.

For Burke and Litwin (1992), middle and lower managers act as the real transformers, while board members issue plans, which often fail to become implemented due to a lack of support from those middle managers. Bos-Nehles, Van Riemsdijk, and Looise (2013) explain that this is not due to a lack of capabilities, but mostly the unpopularity of policies or unpractical practices, which lead to a lack of acceptance with middle managers, hindering the implementation of said processes.

An alternative approach for research would therefore be to try to obtain insights and data from middle managers, who are the forming and implementing part of the

corporate culture, and from the shop floors, from those employees who are tasked with the day-to-day operations.

### **3.5 Summary: Don't Write Rulebooks, Lead!**

Research suggests that ethical leadership could play a major role in shaping a more ethical culture, supporting the implementation of business ethics or CSR. Organisations are coming under pressure to comply, as they are increasingly measured and analysed for sustainable profits on the basis of ESG criteria and socially responsible conduct.

While process and regulations are important, it is mainly the leaders who make the difference in whether or not an organisation is able to implement ethical leadership approaches. While senior management support and dedication are also important, leaders from all levels make the real difference, particularly in the operational parts of the organisations. These middle managers, supervisors and team leaders need to become role models, who act with integrity, establishing trust. They meet the challenges of corporate realities, dealing with operational context and ethical dilemmas due to a developed moral cognition. The influence of this operational context and pressure on leadership practice is underestimated and under-researched. This results in a loss of trust and integrity, making the needed change towards better governance, better leadership practices and a more ethical and social responsible organisation more difficult, if not sometimes impossible. Implementing ethical leadership could address many of these problematic issues. Companies wishing to implement an ethical practice need to change their corporate culture by establishing a leadership culture and leadership climate that are able to deal with ethical dilemmas and are more positively geared towards CSR principles. Leaders are potentially the primary source for shaping such an ethical climate.

The concepts of ethical leadership are based on many assumptions, which underestimate corporate pressures and context and do not reflect the realities in fast-paced and highly operational environments. However, ethical leadership provides a value system and approach to leadership that would enable exactly these operational environments to cope with such context and to resolve ethical dilemmas—provided that the organisation is supportive. Many studies operate under the assumption that this is the case, while cost pressure, performance measurement and pressure to conform are rather the operational reality, for both the managerial and the operative staff of organisations. As the research so far has overly focused on the views of senior managers, boards and CEOs, whose influence is judged overestimated, studies looking at middle and lower managers and under an operational perspective are a needed addendum.

Such primary research can make an original contribution to explaining the role and potential of ethical leadership when faced with corporate realities. As such, this research study positions itself in the tradition of examining the applicability of research theory, while contributing to the body of research.

### 3.6 Implications and Emergent Themes for the Research Agenda and the Research Questions

‘Real’ ethical change initiatives will have to transform the culture and become deeply engrained in the organisational DNA, until the leadership climate changes as well. There is a likelihood that organisations fail to reach the threshold of effective cultural and climate change and that the importance of role modelling and ethical leadership is not yet recognised. Ethical leadership here is understood as normatively appropriate conduct, based on role modelling and trust and characterised by moral cognition, (ethical) problem-solving capabilities and acting with integrity, which promote and reinforce this behaviour when facing contextual situations that might harm ethical conduct.

This research, in consequence, investigates how the corporate culture and leadership styles influence each other and what this means for organisations that are engaged in ethical leadership, wishing to improve their governance. The literature criticises leadership and ethics research as too CEO-centric and focused on the top hierarchies; in other words, it is centred more on declarations than on results or on ideas rather than on real implementations.

To help overcome this, research needs to fill two structural research gaps:

- Gap no. 1 concerns perspective: research has no focus on the actual implementation, particularly within the operational areas where ‘the real things happen’—or eventually do not happen.
- Gap no. 2 regards data: there are few data from middle to lower leaders and particularly from shop-floor employees, despite the fact that these employees are usually responsible for the daily operations and the work outcome. Research needs to pay less attention to declarations, policies and what the upper echelons desire and more to real employee action.

Drawing from the two structural research gaps on perspective and data, as well as the gaps in the research that were identified in the previous sections of the literature review, the main research questions are formulated as follows:

1. For the realities of middle managers from organisations that have a highly operational core, does ethical leadership exist?
2. How influential are middle managers in operational environments?
3. How can ethical leadership be implemented in operational environments?

The literature review has revealed that in order to answer these questions, it is not sufficient to focus on the characteristics of ethical leadership and the leaders. Leadership does not operate in a vacuum. Following a more holistic approach, the operational environment needs to be factored in: the context and situational impacts, the corporate realities, the change and mitigating control efforts of senior managers, and the impact on the culture and climate. In order to operationalise these research areas as well, the following research sub-questions are suggested:

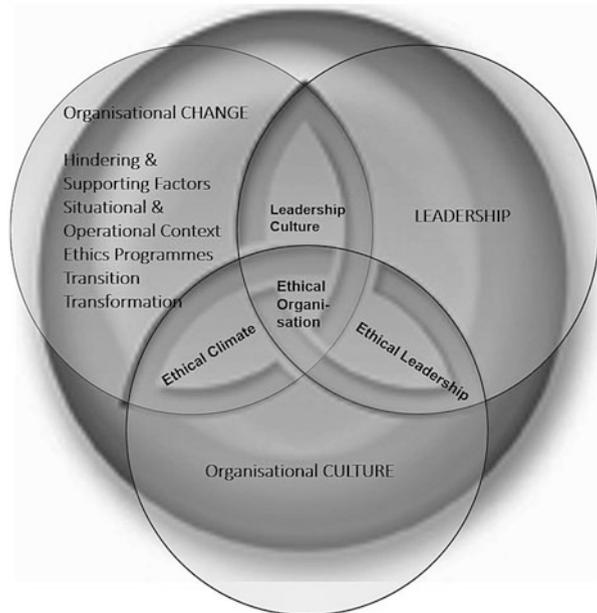
4. What kind of situational and operational context supports or hinders ethical or unethical leadership in organisations?
5. What is the impact of ethical or unethical leadership behaviour on culture and climate?

In order to bundle the topics of the different questions and to structure the research adequately, it will be helpful to construct a conceptual research framework, which depicts the various fields that are of interest for this research. To this end, change, leadership, and culture need to be correlated:

- (a) *Change efforts and processes* (structural changes, are those more hindering or supporting forces, ethical programmes, processes, change management and implementation effort),
- (b) The needed *leadership approach and supporting activities*, and
- (c) The corporate *culture*.

These three influence fields need to join forces, *reinforcing* each other in order to form the ethical organisation. Ideally, the implementation energies of these three fields meet and overlap, jointly having the largest possible influence on an organisation. If these fields contain more hindering than supporting forces or lack effort or energy, the chances of achieving full implementation become much smaller. One can imagine the fields of interest as a Venn trinity diagram, as depicted below (see Fig. 3.4 below):

**Fig. 3.4** Conceptual research framework model: leadership, culture and change. *Source:* Developed by the author



Without developing ethical climate and (ethical) leadership culture, an ethical organisation is not likely to emerge. If ethical leadership is the dominant form of leadership, it will potentially create an ethical climate and influence the leadership culture. Merely running business ethics or CSR programmes without the necessary culture change have much smaller probabilities of a successful implementation.

If all the leaders in an organisation support such programmes, they will influence and change the culture. Leadership then can develop a leadership culture influencing the climate, evolving into an *ethical leadership culture*; an emerging construct supported with underlying research by Mayer et al. (2012) and D'Amato and Roome (2009), although further research is required. The model addresses and links the transformational areas of leadership, culture, and programmes desired to change the practice. This also requires looking at contextual factors; this research model is interested in the influences of context on leadership behaviour, culture, and climate.

Within any organisation, leadership is exercised and will form a negative or positive leadership culture; this may eventually result in poor or unethical leadership styles. Organisational culture might result in an ethical work climate; or culture and climate might be negatively influenced. If the goal of an organisation is to achieve a good or even ethical 'operational' governance, the gravitational forces need to be aligned with this goal and support all the necessary characteristics and processes. Communications and policies or rulebooks are not enough if there is no follow-through and leaders are not held accountable for these processes. The operational context within a manufacturing operation will rely on many supporting and hindering factors. These are decisive for whether the entire operation will be perceived as a great place to work, with good work ethics and good, perhaps ethical leadership, or as a place that does not fulfil any of these criteria or even has a poor or bad work climate, displaying poor forms of leadership.

In the next chapter, the underlying research philosophy, the research design and the methods are explored and introduced.

## Chapter 4

# Research Methodology and Methods

This study is seeking a research design which leads to a more holistic synopsis of how individual leaders, leadership culture, and the operational context interact. This is not trivial, as business ethics, here in the form of ethical leadership and moral cognition, are subject to interpretation and cultural influence. Ethical thinking is already an interpretation, and as such subject to the philosophical and moral background of both the researcher and the research subject. This background is based on an individual philosophical stance, and shaped by social conditioning and experience; as a result, multiple interpretations and truths are to be expected.

With a high likelihood, this will result in a qualitative research design; however, as Brand (2009) warns, those ‘trodden’ paths of both quantitative and qualitative research using surveys, multi-case comparisons, CEO interviews and focus groups, will perhaps not be appropriate for answering the given research questions. When looking at ethical problems, the lens of ethical theory will often lead to different opinions and normative considerations; it is in solving ethical dilemmas that ethics philosophy plays a decisive role (Crane & Matten, 2010). Or, as Fisher and Lovell (2009) posit, ethical theory drives values and how individuals make decisions.

As Brand (2009) points out, researchers over the course of the last two decades have repeatedly criticised a lack of definitions and discussions of ontological, epistemological and methodological assumptions made in business ethics research. She describes the debate regarding the appropriate philosophical basis for research in business ethics as ‘*nearly non-existent*’ and ‘*rare*’. She and Klenke (2008) postulate that positivist paradigm assumptions are omnipresent, underlying the vast majority of empirical business ethics research. Brand (2009) explicitly calls for alternative, qualitative approaches.

In order to address this deficit, the next section discusses the research philosophy of this research study and the ontology of this researcher, before turning to further considerations of alternative philosophical research assumptions.

## 4.1 Organisations Are Full of Multiple Truths

Ethics are themselves subject to philosophical and moral thinking, as discussed in Sect. 3.1.1; international cultural and philosophical norms and belief systems consequently lead to different individual interpretations.

A critical evaluation of the contextual limitations of some philosophical research approaches as discussed in Chap. 4, shows that finding an ideal approach is complex, as the research subject of this study is highly subjective and influenced simultaneously by many individual, social and institutional factors. The ontology of this research, understood as the underlying assumption of a social enquiry concerning the nature of social reality, has been formed by 20 years' experience as executive and consultant. This researcher often observed that managers interpret the same business situation very differently, even when the involved parties were looking at the same facts and data. In the life of a consultant, rather little objectivity of involved managers can be observed (Block, 2011; de Haan, 2006; Fullerton & West, 1996).

Research philosophy deals with the main paradigms of social enquiry (Howell, 2013). Positivism and interpretivism are often described as two research paradigms on opposing ends of a scale (Benton & Craib, 2011; Bryman & Bell, 2007). These paradigms follow different ontological notions on the definition of what constitutes reality, and different epistemological notions on the “*relationship between researcher and researched*” (Howell, 2013: ix), which affects how we know about the research subject.

Bryman and Bell (2007) describe epistemology as the central question, how knowledge can be retrieved and acquired in an acceptable way. This researcher views reality as subjective and constructed. Research following this axiology seeks understanding and meaning, the researched are not external to the researcher, ideas are developed through the induction of data, and meaning can be generated from smaller samples (Benton & Craib, 2011; Bryman & Bell, 2007). Interpretivism investigates the extent to which organisational culture and ethical leadership exist based on individual perceptions, under the premise that these are social constructions. According to Easterby-Smith, Thorpe, and Jackson (2012), researchers who follow an interpretivist epistemology acknowledge that they, their assumptions and biases, are part of this subjective research process when they study the meaning social actors give their perceptions. Under this assumption, facts and values cannot be separated, the researcher is not detached from the research subjects, which necessitates that researchers control their biases and challenge their assumptions during the interpretive process (Easterby-Smith et al., 2012; Benton & Craib, 2011; Creswell, 2009; Bryman & Bell, 2007).

Working as analyst for many years, this researcher has often used quantitative approaches in order to depict corporate ‘realities’. However, many such positivist studies reduce the number of variables to few elements in order to operationalise an accessibility for the desired quantification (Benton & Craib, 2011). For exploratory

studies in beginning, less mature research areas, qualitative methods (less associated with positivism) are a better approach (Edmondson & McManus, 2007).

The axiology of interpretivism, i.e., the value orientation of this researcher, is more to seek utility, and not a ‘truth’, as a positivistic approach would imply. The axiology of researchers is shaped by experience and the underlying value system (Brand, 2009). This researcher values ethical business conduct and the behaviour of the ‘honourable/reputable merchant’ as it has developed over the centuries (Göbel, 2010). The professional practice places emphasis on value propositions, growth based on responsible business models and behaviour, and the implementation of humane business processes. The interest in business ethics was derived out of the many ethical conflicts this researcher experienced when working in the banking or defence industries. This influences the observation process and its interpretation and understanding (Brand, 2009; cf. Klenke, 2008). This is relevant, as researchers are generally motivated by a personal interest in their research subject (James & Vinnicombe, 2002). Our observations form our attitudes and beliefs, while experience as collated observation guides our understanding, which then shapes our explanations of the individually different patterns we perceive to see (Benton & Craib, 2011; Finkelstein, Whitehead, & Campbell, 2008; Watzlawick, 2005).

‘Experts’ like consultants (like this researcher) are particularly prone to fall into cognition traps, as they are constantly on the lookout for universal root causes, processes and underlying reasons, which then can be addressed (or changed) in order to create new realities (Finkelstein et al., 2008). Dörner (2003) refers to this circumstance as the ‘logic of failure’. Hence, experience and the axiology, i.e., the value system of a researcher, determine the outcome and need to be treated with caution (Rescher, 2004).

In consequence, this researcher acknowledges that there are multiple truths in the corporate realities, in rejection of seeking ‘objective’ truths. This researcher values different perceptions and opinions as an unavoidable part of a systemic world (Watzlawick, 2005), is seeking understanding of a social situation rather than an objective truth, acknowledging multiple explanations, influences, and ‘truths’ (Howell, 2013; Benton & Craib, 2011; Bryman & Bell, 2007). Therefore, subjectivism and different opinions are important to this researcher’s life experience.

The perspective is one of social construction, in which social actors make sense of the world by developing subjective meaning and personal ‘truths’ (Backhausen, 2009; Creswell, 2009). How leadership influences organisational culture, for example, becomes a social construction under this axiology, leaning towards an epistemology of interpretivism—perhaps quite appropriate for research looking at ethical leadership. Furthermore, as demonstrated in the literature review, both leadership and ethics are subject to moral understanding, various theorems and cultural interpretation. The research methodology needs to reflect this; in order to evaluate whether interpretivism is a suitable approach, the next section discusses alternative approaches and their limitations.

Initially, quantifying and measuring business ethics originated in analysing whether an engagement in ethics increases profitability (Burton & Goldsby, 2009; Orliczky, Schmidt, & Rynes, 2003). However, serious doubts remain whether the

quantification of financial performance measures can reduce the complexity to a degree that business ethics can become the determining variable of business performance. A social culture dealing with 'ethics' is more intangible, based on underlying individual experience, assumptions, and behavioural norms and values (Howell, 2013; Creswell, 2009; Benton & Craib, 2011; Bryman & Bell, 2007). Identifying influences and correlations is also usually based on hypothesis and measurements, which seem inappropriate at this early stage of analysing operational pressures on leadership climate. Even Hofstede (2012), though deploying positivist methods, acknowledges that his seminal studies on cultural dimensions are based on mental models and cultural constructs. Critiques argue that research designs, especially when empirical quantification is used, are often tooled to support verification; such 'reductionist' approaches can answer almost anything (Creswell, 2009).

Furthermore, the area of business ethics research, as Bryman and Bell (2007) point out, is also one where the frequently encountered bias of 'social desirability' in social research often obstructs research data. The needed methodology should be qualified to account for the perception, interpretation and construction of the social actors. Following Tranfield, Denyer, and Palminder (2003), management research suitable for the practitioner should deliver 'evidence based' insights, which contribute to practice. The social realities of applied leadership and its perception in an operational environment are a highly subjective area, and one potentially dealing with the construction and interpretation of social reality by both research subjects as well as the researcher.

Acknowledging this has influences on the research methodology and suggests an interpretivist approach, suited to deal with social construction. Research subjects will develop 'multiple conceptions' when asked how they perceive leadership (Clark & Sharf, 2007). Researchers can adopt a descriptive and interpretivist stance to cater for this, acknowledging that social actors construct their own view of leadership and ethics, guided by their interpretation of their experience and based on their ontology, i.e., how they believe the world to be (Benton & Craib, 2011).

This would result in an 'approximation' of a likely reality as a corresponding indication, a social construction and interpretation of multiple potential realities, which can be explored in further studies.

Following Smith (2008), social actors make sense of their world, while the researcher desires to make sense in regard to how these social actors are making sense of their world. Backhausen and Thommen (2006: 67) refer to this phenomenon as 'observation of the second order': Researchers observe how the observed persons observe and interpret their constructed world and are coming to their conclusions.

The sought-after research design is in need of qualitative social research frameworks, which can be deployed with highly subjective and rich data in complex scenarios. Stentz, Clark, and Matkin (2012) report that more qualitative research approaches are now added to quantitative leadership studies. Conger (1998) posited that qualitative research is the method best suited for researching the complexities of leadership. Silverman (2011) claims that qualitative research often makes better

contributions to social situations, thereby explaining how they are locally constituted.

There are many limitations of this form of research philosophy and the design resulting out of this stance. However, positivist, post-positivist and other empirical research methodologies based on quantification and the resulting reductionist approaches are also fallible in describing social reality (Weed, 2005). Bryman (2004) strongly objects to methodical ideological limitations, suggesting that qualitative studies should draw from empirical research. Quantitative research offers the majority of the research corpus in leadership research, whereas qualitative studies are not building sufficiently on these former studies, Bryman posits. This study, in consequence, has reviewed, incorporated and benefited from viewpoints of numerous quantitative studies.

Trotter (2012) comments, that qualitative research has reached a scientific standard comparable to quantitative research. It is one of the aims of this research to add further proof to this statement. Bryman, Stephens, and à Campo (1998) report that qualitative leadership research approaches have been growing in impact, particularly due to the strength for leadership research of this method, which is to be sensitive about complex contextual factors and their weight. According to the authors, leadership cannot be considered without context; qualitative methods are more suitable for building evidence for the entire set of influencing factors, particularly across several management layers.

In summary, a qualitative approach to the planned social enquiry is suggested as a suitable method.

It proved difficult to find companies wishing to undergo such intense scrutiny concerning their leadership realities. Ethical considerations were a part of the discussions with the involved boards, as the reputation of the organisation and the impact of the interviews on employee climate were issues of concern.

The employees of the participating company are a vulnerable group needing protection and anonymity (Bryman & Bell, 2007); research ethics were an important focus of the research, as the next section will describe.

## **4.2 The Research Ethics of Researching Perceived Leadership**

As Ramcharan and Cutcliffe (2001) state, just having a good research design will not prevent studies from being unethical; qualitative studies suffer from a lack of ethical process during the data collection and analysis phases. Wiles and Boddy (2013) state, researchers in the coming decades will look at recent research under the lens of whether ethical procedures were followed.

Research on ethical leadership is especially summoned to follow ethical principles. The interviews touched upon very sensitive and personal matters, while honesty was required for obtaining meaningful results. The problem: the more

personal interviews get, the more difficult it is to not touch on ethical dilemmas (Clark & Sharf, 2007; Guillemin & Gillam, 2004). The content of the interviews, i.e., cases of bad leadership, was likely to be very sensitive and difficult to obtain. All in-depth interview respondents as well as the company involved in the research needed protection, anonymity and confidentiality. The research needed to be carried out without causing any ethical dilemmas in itself, catering for a protected atmosphere, data security, and safe storage of interview notes. Ramcharan and Cutcliffe (2001) refer to this as ‘ethics as process’, Guillemin and Gillam (2004) as ‘procedural ethics’, and Hewitt (2007) as a ‘principle-based’ and ‘ethical research relationship’ approach.

With the management of the researched company and its workers’ council, agreements regarding data collection and publication process were made. The following agreements and proceedings were agreed:

- All employees were informed about the interviews via e-mail, during team meetings, and by postings on the department blackboards.
- All interviews would take place on a voluntary basis, with informed consent as basis only, and in a protected environment; confidentiality, rapport and trust during the entire process secured. No data would leak out, results obtained during the interviews would be kept anonymous.
- In the published research study, the company would remain unidentifiable.
- For the protection of anonymity, also guarding personal rights and well-being of employees facing very personal interviews, no tapes were allowed. Neither board nor the workers’ council would receive a list of respondents.

All interviews were carried out voluntarily, with informed consent and in a protected environment. None of the interviews had to be stopped due to unclear procedures, hesitation, or doubts. No cases of critical incidents, pressure, discomfort, or anxiety were reported. At the beginning of each interview, an introduction concerning the sensitive and personal nature was given. It was checked whether the respondent knew about the survey and informed consent was discussed and duly recorded. It was reminded that the workers’ council had agreed to the survey, participation was voluntary, no tapes were running and that some biographical data was recorded. The name was recorded in case the interviewer had to come back and check facts, which happened three times for clarification of narratives. Names were deleted when the data were transferred into the database.

The interviews and noted statements were originally in German and were translated into English capturing the original meaning in the best possible way. If such a statement is a potential misrepresentation or in any way misleading, using it would be an unethical research conduct in itself (Hewitt, 2007).

Following Bahn and Weatherill (2013), the more sensitive data is, the more robust research design needs to be in order to mitigate the counter-effects, as what respondents say and what they feel, can deviate considerably. The next section describes the learning and development cycle until the final research approach had been established, and introduces the chosen qualitative method.

### 4.3 Development of Research Methods and Research Design

As has been noted before, it is difficult to observe values, especially when looking at the gap between intentions, orientations and actual behaviour.

With not much primary research in this area, a thorough pilot study was conducted. This work was based on some of the available instruments which measure ethical leadership, however, these instruments come from different angles and were found difficult to use in a research setting.

The following section introduces these instruments, which also allows the benefit of giving the first available such overview in the entire ethical leadership literature. This is followed by a section describing the pilot studies and their findings, and how this has informed the final research design.

#### 4.3.1 Concepts of Measuring Ethical Leadership

The following instruments and analytical frameworks have been developed to understand the dimensions of ethical leadership and to test for the perceptions of ethical and unethical leadership behaviour, or for the level of the ethical behaviour of organisations. In addition, the stability of CSR processes or compliance with regulations can be tested.

Currently, no review of the various instruments in the literature is available, and thus this section lists the most common instruments concerning ethical leadership. Dickson, Castaño, Magomaeva, and Den Hartog (2012) speak of a North American bias in models and measures in cross-cultural leadership research; however, many recent impulses in ethical leadership research are now coming from a European providence.

Riggio, Zhu, Reina, and Maroosis (2010) develop a '*Leadership Virtues Questionnaire*' that measures classical *managerial virtues* such as prudence, fortitude, temperance, and justice as prerequisites for ethical leadership.

Lasthuizen, Huberts, and Heres (2011) analyse integrity violations and introduce a validated *typology of unethical behaviours*. They include the influence of organisational culture on unethical behaviours.

The '*Ethical Leadership Questionnaire*' (ELQ) developed by Langlois, Lapointe, Valois, and de Leeuw (2014) is an instrument with two sets of questions that analyses *ethical competencies* by screening for moral self-reflection and the capability to resolve ethical dilemmas. The instrument has been tested and further developed by Yukl, Mahsud, Hassan, and Prussia (2013).

Voegtlin (2011) develops a short questionnaire that looks into *responsible leadership*, for example by checking whether respondents are stakeholder management-oriented.

Kalshoven, Den Hartog, and De Hoogh (2011) construct the ‘*Ethical Leadership at Work*’ (ELW) instrument. This instrument consists of 46 items and measures for seven main dimensions: fairness, role clarification, ethical guidance, people orientation, power sharing, integrity, and concern for sustainability.

The authors state that the ELW instrument still needs refinement. Power distance, for example, a classic measure of intercultural aspects has different values and characteristics in different cultures. Yukl et al. (2013) state that the ELW does not measure inherently ethical behaviours and incorporates too many social issues, which overcomplicates the measurements, thus inviting debate.

Jondle, Ardichvili, and Mitchell (2014) develop an *ethical business culture construct* that tests for five dimensions of ethical business cultures and provides ten items to measure this construct. This instrument is useful for assessing the *maturity levels of an ethical culture* along the given criteria, which are an ethical core (values-driven organisation) backed by long-term perspectives, leadership effectiveness, stakeholder balance, and process integrity.

The measurement instruments mentioned so far are all work in progress. Four other instruments are also available that are more frequently deployed in research studies and that are introduced in the next four sections. Notwithstanding their quality as research instruments, all these have been applied in consultations and interventions as well as in research studies.

#### 4.3.1.1 PLIS Instrument (Craig and Gustafson)

The original ‘*Perceived Leader Integrity Scale*’ (PLIS) developed by Craig and Gustafson (1998) uses 31 questions, aiming at identifying the direct behaviour of superiors on direct reports. The instrument (see Table 4.1 below) aims to estimate the perception of another person’s integrity. Yukl (2010, 2013) uses a shortened version of the PLIS. The following shows the instrument with a Likert scale and instructions:

**INSTRUCTIONS:** The following items concern your immediate supervisor. You should consider your immediate supervisor to be the person who you feel has the most control over your daily work activities. Circle responses to indicate how well each item describes your immediate supervisor.

Craig and Gustafson (1998) include reasons for unethical behaviour, so respondents have a choice to think about their perceptions of moral and ethical issues. While the instrument is perhaps not very elegant, it is one of the first to look into the behaviour of integrity.

Yukl et al. (2013) criticise that the absence of unethical behaviour is not a measure of ethical behaviour. However, by looking at how difficult it is to maintain an ethical stance in an operational environment, the absence of such behaviour

**Table 4.1** PLIS itinerary

1. Would use my mistakes to attack me personally	1	2	3	4
2. Always gets even	1	2	3	4
3. Gives special favours to certain ‘pet’ employees, but not to me	1	2	3	4
4. Would lie to me	1	2	3	4
5. Would risk me to protect himself/herself in work matters	1	2	3	4
6. Deliberately fuels conflict among employees	1	2	3	4
7. Is evil	1	2	3	4
8. Would use my performance appraisal to criticize me as a person	1	2	3	4
9. Has it in for me	1	2	3	4
10. Would allow me to be blamed for his/her mistakes	1	2	3	4
11. Would falsify records if it would help his/her work situation	1	2	3	4
12. Lacks high morals	1	2	3	4
13. Makes fun of my mistakes instead of coaching me how to do it better	1	2	3	4
14. Would deliberately exaggerate my mistakes to make me look bad when describing my performance to his/her superiors	1	2	3	4
15. Is vindictive	1	2	3	4
16. Would blame me for his/her own mistake	1	2	3	4
17. Avoids coaching me because (s)he wants me to fail	1	2	3	4
18. Would treat me better if I belonged to a different ethnic group	1	2	3	4
19. Would deliberately distort what I say	1	2	3	4
20. Deliberately makes employees angry at each other	1	2	3	4
21. Is a hypocrite	1	2	3	4
22. Would limit my training opportunities to prevent me from advancing	1	2	3	4
23. Would blackmail an employee if (s)he thought (s)he could get away	1	2	3	4
24. Enjoys turning down my requests	1	2	3	4
25. Would make trouble for me if I got on his/her bad side	1	2	3	4
26. Would take credit for my ideas	1	2	3	4
27. Would steal from the organization	1	2	3	4
28. Would risk me to get back at someone else	1	2	3	4
29. Would engage in sabotage against the organization	1	2	3	4
30. Would fire people just because (s)he doesn’t like them if (s)he could get away with it	1	2	3	4
31. Would do things that violate organizational policy and then expect his/her subordinates to cover for him/her	1	2	3	4

Source: (Craig & Gustafson, 1998; cf. Yukl, 2010, 2013)

Response choices: 1, Not at all; 2, Somewhat; 3, Very much; 4, Exactly

could already be regarded as a success (White & Lean, 2008; Parry & Proctor-Thomson, 2002), which may explain why PLIS has been used in many studies, mostly in a revised version containing 28 items (cf. Yukl, 2010). In addition, the negative language of the PLIS instrument has been criticised (White & Lean, 2008).

Parry and Proctor-Thompson (2002) use a version called *PLIS-R*, in which they revise the 28 items for top-down as well as bottom-up analyses. They suggest that

PLIS, as it looks at integrity, is a vital instrument for an evaluation of organisational effectiveness, triggered by ethical behaviour.

Moorman, Darnold, Priesemuth, and Dunn (2012a, b) develop an alternative instrument, also measuring *perceived leader integrity* using a 16-item scale, measuring word/deed and value/deed alignment, consistency across context and moral courage, and moral behaviour:

1. Acts to benefit greater good.
2. Protects the rights of others.
3. Treats people fairly.
4. Treats people with care and respect.
5. Serves to improve society.
6. Is honest.
7. Shows priorities she describes.
8. Will do what she says.
9. Delivers on promises.
10. Practices what he/she preaches.
11. Things promised will happen.
12. Conducts self by espoused values.
13. Does right even when unpopular.
14. Stands by principles no matter the price.
15. Acts on values no matter the cost.
16. Not afraid to stand up for beliefs.

However, this instrument has so far been tested mainly on business management students and a few managerial control groups, and thus it needs further refinement. It also lacks the strength of the PLIS, namely giving reasons for unethical behaviour.

McCann and Holt (2009) use PLIS, collecting data from ten manufacturing companies in the United States. They find that the majority of the workforce felt that their managers were nearly perfectly ethically. Those who did not feel the same way, however, had surprisingly strong opinions. However, the instrument reportedly worked well in an operational setting. This study influenced the researcher to integrate the PLIS itinerary into the initial research design despite many objections based on culture and language.

#### **4.3.1.2 Brown and Treviño's Ethical Leadership Scale (ELS)**

Building on the first attempts to measure ethical leadership (Brown & Treviño, 2002) and a discussion of the concept in the literature, Brown, Treviño, and Harrison (2005) develop an instrument to measure the perceptions of ethical leadership called the *Ethical Leadership Scale* (ELS). Developed from initially 48 items analysed in a series of tests, 10 items are used in the final instrument, which has been widely adopted (Walumbwa & Schaubroeck, 2009). A German

version of the ELS (*ELS-D*) is also available and in use (Rowold, Borgmann, & Heinitz, 2005).

The model is based on the assumption that leaders should act as a key resource of ethical guidance, influencing an ethical culture and a social learning perspective (Brown et al., 2005).

The instrument uses the following items:

1. Listens to what employees have to say.
2. Disciplines employees who violate ethical standards.
3. Conducts his/her personal life in an ethical manner.
4. Has the best interests of employees in mind.
5. Makes fair and balanced decisions.
6. Can be trusted.
7. Discusses business ethics or values with employees.
8. Sets an example of how to do things the right way in terms of ethics.
9. Defines success not just by results but also the way that they are obtained.
10. When making decisions, asks ‘what is the right thing to do?’

Kalshoven and Den Hartog (2009) find that the ELS scale items are also useful to define ethical prototypicality and ethical role modelling; prototypical behaviour along ELS items enhances trust, according to their findings.

The ELS can show the potential of leaders for role modelling and the potential for a social learning perspective, which can enhance an ethical climate (Brown & Treviño, 2006). The better the ethical climate is researched, they conclude, the more the contextual factors can be understood. The better an organisation scores on the ELS instrument, according to their approach, the better it should be equipped to deal with ethical dilemmas (Treviño & Brown, 2007).

#### **4.3.1.3 The Corporate Ethical Virtues Model**

Kaptein (2009) posits that eight organisational virtues make up the dimensions that form the ethical culture of an organisation. The model was constructed in order to understand the unethical behaviour of employees. It is the only model explaining the ‘ethical culture’ of an organisation by looking at its organisational virtues, which are:

- Clarity (of ethical expectations).
- Congruency of supervisors (organisational standards are applied).
- Congruency of management (standards, role modelling).
- Feasibility (extent to which the company makes sufficient time, resources, budgets, equipment, information and authority available).
- Supportability (extent to which an organisation stimulates the identification with corporate and ethical values).
- Transparency.
- Discussability (extent to which ethical issues can be discussed internally).

- Sanctionability (extent to which employees believe that unethical conduct will be punished, and ethical behaviour rewarded).

The CEV model uses a 58-issue questionnaire centred on the above eight items developed by Kaptein (2009). Kaptein also uses this approach to explain how these virtues and components of ethics programmes form an ethical culture (Kaptein, 2009, 2011; Huhtala, Feldt, Lämsä, Mauno, & Kinnunen, 2011).

Research, for example, explains that different levels of whistleblowing, from doing nothing to observing to having whistleblowing processes and hotlines with a high degree of transparency and managerial follow-up, are a sign of the maturity of the organisation regarding business ethics and ethical leadership. The CEV model can thus be used to test for these maturity levels. An underlying assumption of this model is that managerial processes and systems are in place that form such an ethical culture and whose contribution can then be measured.

None of the instruments introduced so far is able to measure ‘integrity’, which is partly owed to the situation that such behaviour would have to be circumscribed due to a lack of definition.

The following instrument—by name—is designed to analyse integrity; however, the construct rather looks into the integrity of ethical processes as a whole and does not really measure the leadership behaviour of integrity.

#### 4.3.1.4 The “Integrity Thermometer”

By developing the CEV model (see section above), Kaptein (2009, 2011) states that there are eight important organisational virtues: clarity, congruency of supervisors, congruency of management, feasibility, supportability, transparency, discussability and sanctionability.

Feasibility is a particularly important point, as according to Kaptein (2011), the more pressure employees are under to perform and meet targets and the fewer resources are available, the higher the risk of wrongdoing becomes. Consequently, organisations implementing CSR initiatives that pay little attention to feasibility measures will not come far in their endeavours.

This draws attention to the overall impact of such ethics programmes. Kaptein enhances the CEV model by incorporating nine components typically part of ethics programmes into the analysis:

- Code of ethics.
- Ethics office(r).
- Ethics training and communications.
- Pre-employment screening on ethics.
- Monitoring and auditing of ethics.
- Ethics hotline.
- Incentives and rewards policies for ethical conduct.
- Policies to hold staff accountable for unethical conduct.
- Response policies for unethical conduct.

Kaptein uses this analytical approach, which tests 32 issues in various versions of the integrity thermometer, jointly with KPMG as a consulting service offered to its customers. Here, the instrument is branded the ‘KPMG integrity thermometer’. Under this name, it has also been deployed in research studies looking at the ethical culture of organisations (Kolthoff, Erakovich, & Lasthuizen, 2010).

Kaptein also uses this approach to explain how these virtues and components of ethics programmes form an ethical culture (Kaptein, 2009, 2011). The integrity thermometer can thus be used to test an organisation’s readiness to apply CSR and business ethics concepts and potentially to examine whether it has ethical leaders who are able to shape such a leadership culture. What the precise role of these leaders might be and how they are shaped to an ethical culture, apart from role modelling, remain subjects of further research.

With the exception of PLIS, the four instruments have been used more for managerial purposes rather than in a manufacturing environment. The pilot study was used to test their applicability for this primary research.

### 4.3.2 *The Pilot Study and Results from the Field Tests*

The pilot study was conducted with company A, a factory with several hundred employees and an average employee tenure of 23 years. The initial research design collapsed, as the tests showed that none of the foreseen survey instruments were useful in regard to answering the research questions.

Over the course of 8 weeks, 67 persons were interviewed with a mixture of surveys and in-depth interviews. The following Table 4.2 provides an overview about the respondents and their job roles from management, administration, and production.

**Table 4.2** Pilot study respondents from Company A

Logistics manager	Product manager	Shift leaders (6)
CEO	Technical Development	Engineering Shift Leader
Head of Quality Management	Logistics and Expedition	Head of Post Prod. Treatment
Head of xyz Operations	xyz Maker	Assigned Engineer to the CEO
Head of Mechanical Maintenance	Head of International Sales	Product Manager
Head of Electrical Maintenance	Head Manufacturing Planning	Head of Controlling
Head of Production	Manufacturing Planning Mgr.	Controlling Manager
Head of Factory	Head of Sales	Corporate Purchasing Mgr.
Head of Factory Line	Sales Manager (4)	Head of Apprentice Learning
Head of Product Development	Administration (6)	Production Workers (25)

The numbers in brackets indicate how many individuals from this job category were interviewed. The interviews with interview partners with a leading function lasted 45–120 min, whereas all other interviews with mostly operational staff ranged from 20 to 60 min (administrative staff) and from 10 to 90 min (production staff). Almost all individuals asked whether they would participate in answering a questionnaire or participate in an in-depth interview were welcoming; only three persons did not want to participate.

Most respondents displayed a real hunger to be listened to, and they were very open in their answers, even on very personal issues.

The pilot clarified that the sample needs to be large enough. It proved difficult to interview enough employees from some departments, so when comparing certain issues at a department level, the sample was not large enough to give a complete picture. This was adjusted for in the main study.

At first, the PLIS itinerary (Craig & Gustafson, 1998; Northouse, 2010; Parry & Proctor-Thomson, 2002) was tested. However, employees had an overall low opinion of their superiors, and used the questionnaire with a sort of payback mentality. Almost all issues were marked in a negative way, sometimes the entire instrument rated on the negative end *on all* issues. The questionnaire used was a German version. Handing such a repository of bad behaviours to employees who are dissatisfied or who work in a tough environment can result in a very negative evaluation. This surprising outcome of PLIS was exactly the opposite result as the one obtained in the research carried out by McCann and Holt (2009), which was backed up by looking at ten factories, and found that workers held their leaders in high esteem. While this might reflect the perceived reality in company A, surely not all managers display all these unethical behaviours at the same time. After 30 interviews, where nearly all issues—the full list—were marked at the negative end of the scale, it was decided to drop the itinerary and to ask questions about the good or bad behaviour of the superiors, asking for specific examples when such issues were mentioned. This resulted in much clearer data and issues handling, hence in much better nodes for analysis.

Handing out prompted issues on such a list of unethical behaviour seemed not to work very well, and was too inviting. The ELS instrument, tested twice, was developing results in the same direction, so its use was stopped immediately. PLIS and ELS measure unethical behaviour better in areas where few issues occur. When organisations are in difficult business situations or employee tenure is long, the individual memory tends to go back far and can be quite unforgiving. In company A, all the department heads are very operational (in company B they were more administrative), pressure is very high and constant, and the tone rough.

While the applied survey instruments could not deliver any insights into the operational context, the in-depth interviews gave a clear picture of how the tone, the lack of co-operation, and the habits or working with one another were forming a very difficult corporate culture.

Many cases of unethical behaviour could be identified that were not part of the itineraries used. As new issues were constantly emerging during the interviewing processes, the method of *inductive categorisation* was identified as a suitable

in-depth interviewing process to cope with the growing number of insights, and the data that came with it.

While the *supported* issues of the PLIS and ELS instruments were (more or less completely) marked as extremely negative overall, the *unsupported* information (which this researcher believes carries more weight) retrieved from asking about the behaviour of the direct reporting line was much less dramatic. However, quite a few issues were more relevant than others: PLIS issues 1, 2, 3, 5, 6, 8, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 24, 25, 29, and 31 were mentioned *unsupported* (during the interviews) by more than 50 % of those interviewed, and across all management levels. Yet most respondents named only a few of these items, while before, when being presented the entire list, they ticked nearly all, or even all items on the list. While this shows that PLIS issues are quite real and relevant for ethical behaviour and perceived integrity, having unsupported information about these issues can lead to stronger or more specific insights and a much better ranking of those issues. Moreover, it prevents the displayed 'payback' mentality.

After the decision was made to stop handing out the PLIS and ELS instruments, 12 interviews were also partly enriched by testing questions from the CEV model and its 58-issue questionnaire developed by Kaptein (2009). However, the questions circling around clarity, congruency of supervisors, congruency of management, feasibility, supportability, transparency, discussability, and sanctionability often remained unanswered, led to deep objections, and generally were felt to be too abstract, too 'white-collar', and not down-to-earth enough. The further down the management line the in-depth interviews were carried out, the higher the workforce frustration with these issues became.

Answers such as "*Discussability? How can we raise ethical issues if we cannot raise any issue around here?*" (respondent 12) or "*Sanctionability? From which planet are you coming? There is only one commander here, and that is the CEO. Everyone else is deprived of power anyway and here, no one has to say anything*" (respondent 38) give an indication of how CEV values were perceived. Most of the terminology used in the CEV instrument led to frustration and very negative answers, particularly with factory workers and the lower ranks of administrative staff and sales employees.

The CEV instrument is perhaps suitable if an ethical culture with the usual corporate instruments has already been established, but not in SMEs or factories with no processes and tools such as 'ethics hotlines' or codes of ethics that come with it. A further use of the CEV model was thus also ruled out. While delivering some useful insights and a lot of data, all three questionnaire based instruments were found to be not working in a production and deemed not suitable enough for the desired quality of the data and were consequently removed from the research design.

It became also clear that there simply were no strategic or leadership initiatives *known* by the workforce which could be evaluated for an implementation process. Which of course sheds light on the question how successful governance communication was in this case.

Instead, the interviews came up with a history of failed interventions, initiatives and missing trust in the senior leaders. The general attitude was a missing belief that anything would change for the better. At first glance, this might sound as a failure that the research design did not work the way it was planned. The chosen instruments and frameworks delivered some data and insights. For the research questions of interest here, they were not adequate, as they seemingly did not have a good enough fit for a highly operational environment. However, there is a learning opportunity for researchers and practitioners concerning the applicability of such analytical instruments. This learning was invaluable, and the remaining approach, the use of in-depth interviews, yielded a wealth of results and insights, many more than by applying the intended questionnaires and frameworks. As a result, many more leadership issues could be identified in the primary research than one could have initially hoped for, and the operational context came into focus.

The implications of the pilot study and changes to the preliminary research design for the main study are the following:

1. The PLIS, CEV, and ELS instrument survey questionnaires and ethical issues they define were not used in the main study.
2. Instead of calling for supported (prompted) information, the research should draw from unsupported (unprompted) information as much as possible.
3. The Burke/Litwin model could not be deployed in the main study. Not enough meaningful data could be retrieved to make use of this model.
4. The in-depth interviews with open and structured elements, based on including new themes as they emerge (*inductive categorisation*), were an appropriate way to retrieve personal and internal information relating to leadership and ethical issues.
5. Measures and processes were needed to ensure the quality of the data.
6. The stratification of the sample needed to be much more thorough than in the case of company A, and more interviews were needed.
7. It is very useful not to interview one department after the other, following an interview plan, but instead randomly choose employees, walking around, finding people willing to be interviewed. This is not only much quicker, as it is particularly hard to chase people from a specified and busy department, but, much more importantly, it also allows to check back obtained issues and information about a group with the persons from the concerned or affected department, which is difficult if the interview rounds with this department have already finished.
8. In order to contrast the view from middle and lower management and for a more complete picture of the various professions and work groups/departments of the manufacturing part of the sample, more factory workers from all departments needed to be interviewed.

## 4.4 Focus Groups Are Seriously Flawed

Consideration has been given to whether focus groups were an adequate approach, as they are often proposed for data generation in qualitative research (Rubin & Rubin, 2012; Bösch, 2011; Kvale & Brinkmann, 2009; Bryman & Bell, 2007; Mayring, 2002). Focus groups allow a quick, time saving access to deep and rich data; which was useful as the management of the factory used for testing methods wanted a speedy progress. Using focus groups is a suitable and participatory approach to deal with interviewer domination and bias (Sim, 1998). The researcher is more involved, acting as a facilitator (Rubin & Rubin, 2012); the research becomes more participatory, as one is working ‘with’ the respondents, not ‘on’ them (Howell, 2013: 202). Focus groups can counter the dominant role of the interviewer, as the balance of power is more on the side of the participants, which also mitigates the researcher’s ontological bias and subjectivity. They can provide rich data and insights, and though power relations may play a role, displaying these can be more authentic than a relation between interviewer and single respondent (Howell, 2013).

However, the use of focus groups is often treated as a standard, while really their composition is a non-standard, unique research design rather unsuitable for many research agendas (Acocella, 2012). Their use can be misleading, as halos of social desirability can distort the analysis, particularly in relation to business ethics (Bryman & Bell, 2007). Members of focus groups can have their own hidden (change) agenda (Morgan, 1996), hence they are often ‘too interested’ in the research, thus blurring the data input (Krueger & Casey, 2000). While focus groups are considered to deliver emerging topics and uncover hidden issues, eventually, as Acocella (2012) states, their conformity can hinder the identification of vital aspects for the research agenda.

As Sim (1998) warns, this can lead to serious flaws in the analysis, especially when similarly structured focus groups are compared. Marrelli (2008) as well as Bryman and Bell (2007) point out that the use of focus groups has often led to serious errors and fallacies, as the collective opinion (‘groupthink’) of such groups was not a good reflection of the ‘realities’ in the social system under investigation. Especially if different management levels participate, results can be seriously biased, issues and opinion are held back, or are under too much control. However, none of the instructional handbooks by Bryman and Bell (2007), Kvale and Brinkmann (2009) and Rubin and Rubin (2012) discuss the criticalities of the use of focus groups in any depth. Acocella (2012) arrives at the frustrated conclusion that focus groups are often deployed with a lack of quality that weakens the methodology in the research design of many studies considerably, leading to doubtful interpretations of the results. Considering how many studies deploy focus groups, this seems to involve a serious fallacy, which the methods literature has not picked up sufficiently yet.

Following the critique, it seemed a necessity to test the use of focus groups in a factory setting. The tests showed that hierarchical barriers prevented particularly

workers and shift leaders to speak up, waiting for input from the senior leaders. Various groups did not speak open and freely, and many workers were not saying anything, later stating that they are not used to ‘discuss’ work issues with superiors. However, members of the workers council were more used to this, and were filling in the void. As this study is specifically looking at contrasting perceptions, individual in-depth interviews, as the tests showed, were judged a better method than using focus groups. During the individual interviews, workers and leaders alike spoke more freely, resulting in a wealth of new issues which had never come up during focus group discussions.

From a practical point of view, not many companies allow researchers direct access to employees when ethical issues are involved. Normally, the management of the approached companies wants to know everything concerning questions and the nature of the analysis. This hinders an in-depth and flexible approach, requiring a fully developed knowledge concerning the nature of issues and data to collect.

Hence, factory managers generally were in favour of questionnaires and survey instruments, which they felt were easier to control, or at least wanted to control the questions by being part of the focus group. Again, focus groups may deliver valuable insights, but they also allowed that the top leaders were sitting among the participants, this way learning about and controlling what was happening, which subdued other participants considerably. In-depth interviews were delivering the best results, but not many business owners or board members allow the researcher to roam the facilities freely as they wish, asking difficult questions.

However, this is exactly the kind of research which we do not have enough, because it is so difficult to obtain; this is the standard proper researchers should aim at, if the conclusions shall stand the test of being meaningful in the real world.

## 4.5 A Better Kind of In-Depth Interviews

According to Szabo, Reber, Weibler, Bridbeck, and Wunderer (2001), actions based on the deeper levels of a person’s intention can be brought to the surface by in-depth interviews. Qualitative in-depth interviews, especially when they build rapport and trust, are a suggested method delivering valuable insights on perceptions, but are highly dependent on the quality of both the respondent, the interviewing style, and the role of the researcher/interviewer (Rubin & Rubin, 2012; Helfferich, 2011; Bösch, 2011; Kvale & Brinkmann, 2009; Bryman & Bell, 2007; Mayring, 2002). Rubin and Rubin (2012) state, that in-depth qualitative interviewing is particularly suitable for rich and detailed information. However, unstructured interviews are more suited to understanding social and behavioural context in an inductive manner (Howell, 2013), which suggests open, unstructured in-depth interviews as a suitable method for this study.

Analysing a large sample from various companies (even within the same industry) leads to a complexity in the data which will strongly limit potential findings. So many factors are involved, that a comparative study of several organisations—even

from the same industry—does not seem possible at this stage. Initial tests during the early stages of this research have shown that the different operational circumstances in these organisations complicate the analysis beyond a feasible degree. The focus is too large in this case.

The disadvantage of a single source is mitigated by the possibility to learn about the contextual and cultural specifics within this one company, how these influence (ethical) leadership behaviour, and how this behaviour is perceived by the workforce and other leaders. This study still then contributes to research by identifying fundamental issues concerning the realities of ethical leadership within an operational environment, concerning the role the operational context plays, and how leadership culture and climate are formed. The outcomes of this research approach would still randomly depend on how the specific situation within the researched factory then influences the findings. However, as a basis for further research this approach would deliver insights which are currently missing in the existing research, and which can be followed up by future studies with much more refined and specific research questions.

When testing the research design in a factory setting, leadership styles like constant blaming, shouting and destructive behaviour could be encountered. Though this was perceived to be an extreme example, it illustrated again that operational environments are completely different from the quieter zones of administrative and strategic management. As opposed to focus groups, deploying in-depth interviews with a direct, unobserved contact to the respondent—enhanced by immediate coding and inductive categorisation (see Sect. 4.6)—was found to work well.

Testing also revealed that in order to contrast the view from middle and lower management and for a more complete picture of the various professions and work groups/departments of the factory, more workers from all departments needed to be interviewed. Furthermore, the following four methodical enhancements proved particularly beneficial:

- *Obtaining narratives and creating openness*: i.e., using a technique of narrative enquiries as proposed by Boje (2001) and Czarniawska (1997). Here, instead of asking specific questions, narratives of other respondents are repeated as flexible vignettes, analysing employees' reactions and opinions.
- *Administering and sorting narratives*: Yins' framework of a 'chain of evidence' (2009), initially developed for constructing case studies, provided a good orientation for deciding which narratives to use, and how to organise them.
- Using narratives (without asking a question) and open questions was ideal to extract *unprompted* information (ideally untriggered, see Sects. 4.5 and 4.6) of high credibility and quality (Kinnear & Taylor, 1996; Macdonald & Sharpe, 1996).
- Also, applying the *method of inductive categorisation* (see Sect. 4.6) proved to be an ideal method to enhance the quality and breadth of the interviews. This method also allowed flexibility, and a constant widening of further issues and topics.

This process of integrating new topics in the following interviews proved very powerful for the evaluation of new issues. In the next section, the aforementioned process of conducting flexible and responsive in-depth interviews applying a dynamic step model of inductive category development ('inductive categorisation') is further outlined, as this is one of the main elements of the chosen interviewing process.

However, as this process uses the word "inductive", a word of caution is needed. Induction arrives at conclusions by building theory on accumulated observations of perceptions; while this approach is part of this book, however, unintentionally the term 'inductive' categorisation implies that the study is solely relying on an inductive approach. Inductive processes are typical for qualitative data collection; here, theory building follows data interpretation by understanding and categorisation of observed behaviours. This interpretation of the social world is concerned with context in which events take place, and often operates in the unknown. A deductive approach is more concerned with theory testing in known areas, hypothesis formulation, variables and measurements definition mostly in conjunction with quantitative data collection (Howell, 2013; Benton & Craib, 2011; Kelle & Kluge, 2010; Bryman & Bell, 2007).

Establishing inferences from respondents is more inductive, while building a research framework based on a literature review draws from known references, hence is more a deductive approach. However, an exploratory study aims more at pattern recognition than at testing generalised predications and is more following an inductive approach (Edmondson & McManus, 2007), accepting that a deductive inference aims at generalising recurring observations, but not a 'truth' (Howell, 2013; Kelle & Kluge, 2010). Many studies draw from observed facts in their literature review while building new contributions: in this interdependency, it is difficult to establish where induction begins and deduction ends (Howell, 2013).

Kelle and Kluge (2010: 18–19) posit that an impartial induction is 'naive empiricism' and a 'misunderstanding', as experience and existing (a priori) knowledge always influence the researcher when identifying 'emerging' themes, an issue often addressed even by grounded theorists following pure inductivist approaches. The authors suggest *abduction* as an approach of integration, as a logic of discovery leading to new insights which can be fully established neither by induction nor deduction. Abduction allows multiple interpretations and explanations of observed phenomena: hypothetical inferences aim to generate new insights and best possible explanations, drawing both from former theory (deduction) and from observation (induction) (Kelle & Kluge, 2010; Lipton, 2004). This is more a matter of how insights are described (with all the risk that comes with it) and 'not a method' (Kelle & Kluge, 2010: 25). This study also used the process of 'abductive' coding when analysing data (see Sect. 5.4); the process of abduction is also shown in the process of the analysis method framework (Sect. 5.5). Howell (2013) describes that conclusions derived by induction based on recurring observations are often interpreted as a rule; however, this remains an interpretation and projection into the future, and cannot be observed.

Following abductive reasoning is a process highly dependent from former experience and knowledge of the researcher (Harman, 1965), which is appropriate for research studies as it aims at a 'best explanation' (Lipton, 2004; Harman, 1965). Abductive cognition also requires an acceptance that findings may be challenging for this prior experience, and that all knowledge needs to be scrutinized and challenged, as otherwise, 'making sense' of observations will not be possible and new insights ignored (Kelle & Kluge, 2010). This research is aware that in search of the best available explanation, it draws from deduction, induction, and abduction as basis for reasoning to arrive at conclusions.

## 4.6 The Concept of Inductive Categorisation

Inductive categorisation is used in order to improve, broaden and enhance the qualitative interviewing and cognition process (Mayring, 2000, 2002; Goel & Dolan, 2000; Alberdi & Sleeman, 2000; Spiggle, 1994; Korpi, 1988; Mostyn, 1985). Following Mayring (2000, 2002), identified categories are reviewed after each interview. Eventually they are changed or new categories added, as new and meaningful information from the interviewed persons is retrieved. The interviews grow in length as more persons are interviewed and more collected content forms the basis for further questions (Mayring, 2002). This process uses the term 'induction', which is more associated with theory building; it strives to uncover general statements about (constructed, interpreted) patterns based on recurring, accumulated observations, which can be used for theory development. This iterative data generation follows partly approaches of grounded theory, but the emergence of the data is guided by experience of the researcher and a basic research framework agenda: really an abductive approach, following a process of discovery culminating in generalisations of individual observations (Kelle & Kluge, 2010).

Such interviews tend to probe deeply with evaluating and clarifying questions, as context is vital to understand the meaning. As such, examples are asked for, or a comparison is made with experience from other companies (Bösch, 2011). The business experience of the researcher is vital for coding and grouping relevant themes (James & Vinnicombe, 2002). For Kelle and Kluge (2010), data is ideally coded already while the interviews are being carried out, because otherwise, after all interviews have been conducted and checking back or clarifying issues are no longer possible, data gets manipulated to fit the codes and issues of existing concepts and working theses, leading to a loss of quality.

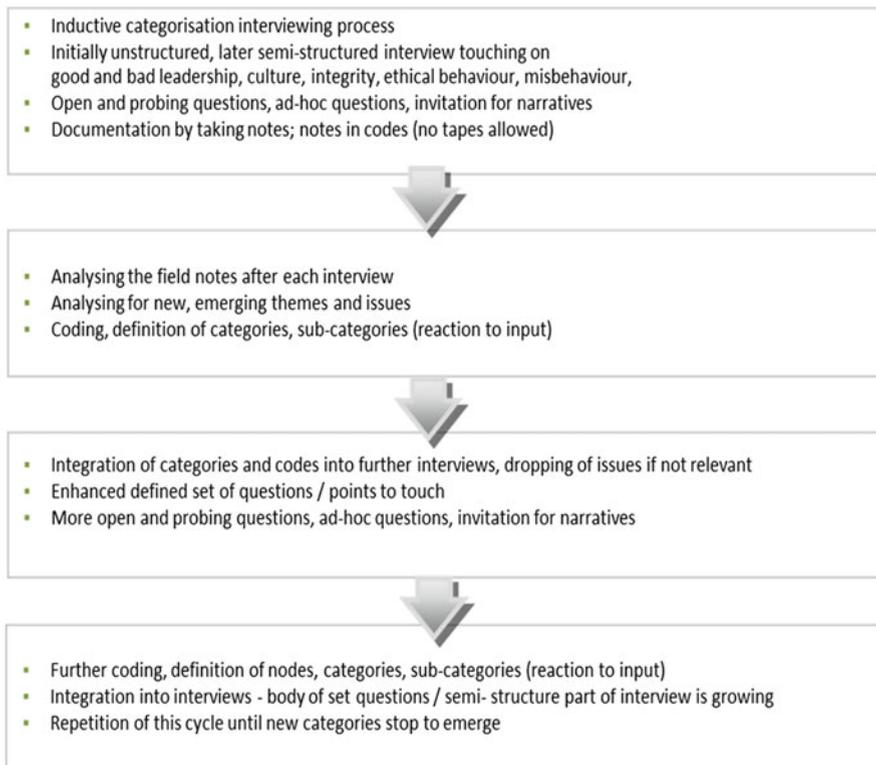
Experienced interviewers can take notes directly as codes and themes, and then ask verifying questions in order to illustrate the named issue and obtain an opinion regarding the issue at hand. This approach is suitable for inductive categorisation, but also needs experienced interviewers, and analysts, as coding for themes and patterns takes place after each interview (Kelle & Kluge, 2010; Saldana, 2009; Mayring, 2002). This aims at identifying new topics at an earlier stage, taking them

into the analysis as early as possible, confronting the next round of interview partners with the new issues, and thus yielding more results.

The following graph (see Fig. 4.1) illustrates the qualitative flexible and responsive interviewing process using inductive categorisation (Mayring, 2000, 2002; Goel & Dolan, 2000; Alberdi & Sleeman, 2000; Spiggle, 1994; Korpi, 1988; Mostyn, 1985):

According to Helfferich (2011) and Mayring (2002), interviewing in such a manner is likely to meet many different characteristics and occurrences, leading to a complex and mixed structure with the following interview types, which all can happen in parallel, and are listed below (see Table 4.3 below):

Testing in-depth interviews demonstrated that qualitative research needs to be extremely concerned with obtaining quality data, further ensuring that the coding and analysis phases also follow rigid quality processes. Many qualitative studies are criticised for not showing adequate effort on these accounts. The next section will introduce the areas of concern and the principles which have been adopted to ensure good research quality.



**Fig. 4.1** Interviewing process applying a dynamic step model of inductive category development. *Source:* Compiled by the author

**Table 4.3** Interview characteristics according to Helfferich (2011) and Mayring (2002)

Type of interview	Interview content or structure
– Narratives	Spontaneous talks about (partly critical) incidents, often dialogic, with the interviewer trying to interfere as little as possible, asking clarifying questions; especially difficult when ‘expert’ interviews are conducted, as experts tend to ‘label’ retrieved information rather quickly according to their set of beliefs
– Problem-centric elements	Mentioned problems are best further explored with a set of fixed questions as an instrument which enables coherence when analysing the problem. This is difficult when the interview turns into an investigation; results are rather hard to validate in this case (see below)
– Episodes	Themes and incidents, and elements contained therein, after appearance might also need a guideline and fixed set of questions with the next round of interviewees
– Focused interview	This type follows specific guidelines concerning the chosen topic. Also used to probe deeper on episodes and certain narratives or incidents
– Discursive dialogic interview	Validation of emerging topics, firstly by probing deeper, then presenting the topics to other interviewees to collect reactions and opinion
– Structured interview	Based on dilemmas: a dilemma identified during an interview is presented as a trigger and the reactions are recorded; this might lead to a growing list of dilemmas (i.e., codes and issues)
– Investigative interview	This type requires maintaining a responsive and trustful atmosphere, and could potentially lead to a loss of trust and rapport, with unclear data, as insisting on a particular information can harm the result Keeping a trustful atmosphere, according to Rubin and Rubin (2012) is vital, even if it leads to the loss of a particular piece of information the researcher is interested to obtain

*Source:* Compiled by the author

## 4.7 Considerations on the Quality of Qualitative Research

Mayring (2007) states that because constructivists regard insights as interpretation and reconstruction of subjective perspectives of people in time-dependent, specific situations, interpretivist research often rejects the idea of generalisation. However, he concludes, qualitative research, particularly if wanting to deliver a knowledge exchange for the practitioner, should aim at generalisation; ensuring the quality of qualitative research being the fundamental prerequisite. Bryman and Bell (2007) advocate that a qualitative study must follow the principles of replicability, validity and reliability. Using such terminology for qualitative research is relatively new, and intends to address and overcome common fallacies and weaknesses of qualitative research.

According to Helfferich (2011), independent from applied models and frameworks, the interviewing process is the key to quality standards in the data. According to Eisenhardt (1991), extracting rich data from storytelling is a powerful source for creating new insights, and, provided the studies are conducted with the necessary rigour, can deliver more insights than surveys.

**Table 4.4** Most common weaknesses in qualitative studies

Area of critique	Authors
Weaknesses in the interviewing process	Rubin and Rubin (2012) Helfferich (2011) Kelle and Kluge (2010) Kvale and Brinkmann (2009) Bogner, Littig, and Menz (2009) Mayring (2002)
Inadequate sampling processes	Trotter (2012) Rubin and Rubin (2012) Nielsen and Cleal (2011) Francis et al. (2010) Onwuegbuzie and Leech (2007) Salganik and Heckathorn (2004) Marshall (1996) Watters and Biernacki (1989)
Coding and analysis are not according to defined quality standards	Helfferich (2011) Chan, Fung, and Yau (2010) Saldana (2009) Creswell (2009) Clark and Sharf (2007) Bryman and Bell (2007) Burgess (2006) Weed (2005) Bryman (2004) Mayring (2000) Boyatzis (1998)

*Source:* Compiled by the author

Following Helfferich (2011), the researching interviewer must be skilled in meeting many criteria in order to enhance ‘*the quality of qualitative data*’. Those criteria and standards (Helfferich, 2011; Kvale & Brinkmann, 2009; Rubin & Rubin, 2012) place emphasis on how the interview is carried out, as well as on research ethics. Social researchers have repeatedly criticised that qualitative studies have weaknesses in at least one and often two or all three of the following vital areas (see Table 4.4 above):

In consequence, interviewing processes (see this Sect. 5.3, and Appendix), sampling (see Sect. 5.2), as well as coding and data analysis (see Sect. 5.4) have been given great thought.

As Crow, Wiles, Heath, and Charles (2006) indicate, while informed consent can enhance the quality of the data, asking for it can already lead to a bias as it invites participants with a hidden agenda and interest to guide the outcome. This issue was overcome by picking volunteers rather than allowing respondents to volunteer.

This researcher found *strategic pauses*—where he remained silent rather than posing the next question—very beneficial. By giving the respondents time to think,

and once the flow of the narrative has stopped, using silence to see if more is coming (which almost always was the case), yielded some of the best input during the interviewing process. This phenomenon has been described in research journals mostly in reference to criminal, justice, health or psychological interviewing backgrounds (cf. Nakane, 2011; Matarazzo, Hess, & Saslow, 1962).

In consumer research, unprompted information is considered much more valuable for analysis than prompted information (Kinnear & Taylor, 1996). If consumers are given a list of bank names, for example, they will, prompted by this, potentially tick all of them when asked which banks they know, in many cases remembering names. If consumers are asked to write this list themselves, the first names might be their own banks, and the next names are those who obviously have some meaning for this consumer, or whose brand marketing had struck. Information presented this way is relevant and important for the research subject; the prioritisation (which information comes first) comes from the research subject, not from the researcher (Macdonald & Sharpe, 1996). Irrelevant information is usually not called up.

Integrating the prioritisation of the respondents into the research gives the entire research analysis more meaning and relevance, and mitigates any hidden or unconscious agenda on behalf of the researcher. By not providing a list of issues the data reflects the input from the respondents, unguided by the interests of the researcher, therein enhancing the quality greatly.

This chapter has been largely concerned with the research methodology, and the development of adequate research methods. Considerations of how to secure validity, reliability and a certain degree of generalisability formed a major part of this discussion. However, there are limitations of this approach to be considered, which is the purpose of the next section.

## **4.8 Limitations of the Chosen Research Design**

There are numerous limitations of an interpretivist research philosophy based on social construction and the resulting design: It could be the case that the in-depth interview process is not adequate enough in order to capture all relevant issues. The chosen company and the interview sample might be delimited, thus not being meaningful and, as a consequence, possibly unusable to answer the research questions, or for any generalisation of the findings. There could be a bias as regards who participated in the interviews; also, many contextual factors feeding into the corporate culture have to be left out to reduce complexity.

The data could be interpreted in an unsuitable way, which would lead to a flawed interpretation of the results. The entire approach is fallible in describing a social reality which does not exist, as flawed data and flawed interpretation could distort the outcome. Because recording the sessions was not allowed, the analysis, interpretation and coding phases relied on written notes. Finally, there are also numerous limitations in the way the data are obtained and analysed. Kelle and Kluge (2010)

state that researchers, even if identically qualified and experienced, could come to differing interpretations of interview responses.

As Sect. 4.8 described, the danger of a common source bias exists; the data are from a single company, and within that from a certain industry, so the findings cannot be generalised or compared with other studies. The operational context and situational issues within the chosen factory are also very different from other factories, which limits a potential comparison. Furthermore, with the sample drawn from a German context, the data may not be comparable with other cultural backgrounds. As there were no other studies of ethical leadership in an operational context available, it was not possible to follow other existing research approaches in order to compare results.

The obtained narratives are not facts, but interpretations, and as such perceived causalities, which could be different, if another group of people had been interviewed. Also, there is no longitudinal information available to support this cross-sectional approach. Reactions of the respondents and influence of the interviews on the research subjects are to be expected. The many interviews in all parts of the organisation could eventually change the realities which are the research context. As mentioned, the interpretivist epistemology, particularly when examining ethical issues, does not distinguish clearly between values and perceived realities.

Numerous measures were introduced to mitigate for these effects, as laid out in this and the following chapter (see following Table 4.5), which gives a summary of the approach used for this book:

The present chapter introduced the research methodology, the rationale for choosing this approach, a qualitative study following constructivist ontology and interpretivist epistemology, based on the axiology and ontology of the personal experience and position of the researcher. Structural contextual limitations to alternative philosophical methodological approaches have been critically discussed. It was also explained how the qualitative methods developed. This was followed by a discussion of limitations and potential fallacies of the chosen approach. Finally, the robustness of this study was discussed and the criteria of reliability, validity and generalisability explored.

The next chapter is concerned with the application of the methods; in particular, the framework for the interview survey and the design of the sample are described. This is followed by an introduction to the theoretical framework which forms the process of analysing the data.

**Table 4.5** Measures to enhance reliability, validity and generalisability

Measures to enhance the robustness of the study	Authors
<p>The applied interviewing method is based on the interviewing skills of the researcher; apart from this, following the research design allows for a high level of replicability of the obtained narrative. High consistency is assured by using themes and codes which were labelled by the respondents, and not by the researcher, using a high degree of unprompted information. Different researchers will arrive at the same insights and interpretations, if they follow the interviewing process</p> <p>Many measures have been applied which secure the quality of the data collection and data interpretation processes and prohibit bias effects (see Chaps. 4 and 5). The limitations of the chosen approach were mitigated with countermeasures for each of the limiting factors (Chaps. 4 and 5)</p> <p>Interviews were carried out far beyond the point of saturation, and great care was taken to stratify a representative sample. A series of 67 pre-study in-depth interviews tested the research design and improved it considerably</p> <p>Finally, considerable effort was made to ensure a high standard concerning research ethics</p>	<p><i>Reliability and replicability</i></p> <p>Rubin and Rubin (2012)</p> <p>Trotter (2012)</p> <p>Bernard (2011)</p> <p>Helfferich (2011)</p> <p>Schensul and LeCompte (2010)</p> <p>Yin (2009)</p> <p>Creswell (2009)</p> <p>Bryman and Bell (2007)</p> <p>Clark and Sharf (2007)</p> <p>Mayring (2002)</p> <p>Glaser and Strauss (1967)</p>
<p>Many steps were taken to enhance the quality of the approach (see Chaps. 4 and 5). Interviews were carried out far beyond the point of saturation, and great care was taken to stratify a representative sample. The obtained data are judged to be of good quality. Only issues have been interpreted as a perceived ‘nearing of a reality’ which had been ‘nominated’ by at least half of the sample</p> <p>All input issues were cross-checked with other respondents. Using codes and labels from the respondents and unprompted information secured the high validity of the data and their interpretation. This was quite efficient in capturing all relevant perceptions of leadership, and many emergent topics, which were all cross-checked due to the sheer size of the sample; the latter being stratified to be representative of the factory in question</p>	<p><i>Validity and robustness</i></p> <p>Trotter (2012)</p> <p>Rubin and Rubin (2012)</p> <p>Bernard (2011)</p> <p>Helfferich (2011)</p> <p>Schensul and LeCompte (2010)</p> <p>Saldana (2009)</p> <p>Creswell (2009)</p> <p>Bryman and Bell (2007)</p> <p>Mayring (2002)</p> <p>Kinnear and Taylor (1996)</p> <p>Macdonald and Sharpe (1996)</p> <p>Kumar, Stern, and Anderson (1993)</p>
<p>Findings are based on rich and deep data, stemming from a majority of the interviewed employees, so subjectivity is minimised, and a high aggregation of the meaning could be obtained</p> <p>This perceived reality defines leadership issues, which can easily be followed up and researched in other operative environments, enlarging the argumentative base of the underlying cause and effect relationships. Unprompted information secures relevance</p> <p>This study is a snapshot from one organisation, the leadership issues which have been identified are valid and transferable to other operative environments, making this study relevant for both researchers and practitioners. The research framework model and the questions raised are very relevant contributions for those who wish to learn more about their leadership realities, and the efficiency potential wasted in their operational business or service units</p>	<p><i>Generalisability and transferability</i></p> <p>Howell (2013)</p> <p>Rubin and Rubin (2012)</p> <p>Benton and Craib (2011)</p> <p>Helfferich (2011)</p> <p>Silverman (2011)</p> <p>Yin (2009)</p> <p>Kvale and Brinkmann (2009)</p> <p>Bogner et al. (2009)</p> <p>Creswell (2009)</p> <p>Bryman and Bell (2007)</p> <p>Guillemin and Gillam (2004)</p>

(continued)

**Table 4.5** (continued)

Measures to enhance the robustness of the study	Authors
	Mayring (2002) Ramcharan and Cutcliffe (2001) Spiggle (1994)

*Source:* Compiled by the author

# Chapter 5

## Research Data Collection and Analysis Framework

This chapter provides a summary of the frameworks and processes ensuring a good quality standard in obtaining and analysing the data. The information is organised in the following way: Sect. 5.1 describes the researched factory, Sect. 5.2 lists the detailed precautions which were applied to design and stratify a meaningful and representative sample and explains the quality enhancement procedures which were carried out during the interviewing process. Section 5.3 describes the interviewing process and how the input was validated, while the Appendix provides an example of the structure of the interviews. This methods chapter is concluded by Sects. 5.4 and 5.5 which introduce process and framework by which the data were organised, coded, processed and analysed.

### 5.1 Organisational Context of the Researched Company

The company used for this primary research, a materials manufacturer with a strong manufacturing background, runs nearly ten factories in Germany and across Europe. There is a non-disclosure agreement in place, assuring anonymity. No company-specific details are permitted for disclosure. The company has a fast-paced and operational environment ideally suited for this study. Moreover, this researcher was granted independence and freedom in the adoption of frameworks and analytical tools. The ‘mother plant’ based in Germany, part of a European industry conglomerate of several thousand employees, was the subject of the main research study.

The following Table 5.1 gives a profile of the researched company:

The researched company is a typical German ‘Mittelstands’-company, enjoying constant growth, which has now formed an international conglomerate. The company was always family-owned and run, although some years ago, a professional management board was installed when the last patriarch stopped being active, following massive growth and internationalisation. This resulted in many changes

**Table 5.1** Profile of the researched company

Profile item	Provided information
Industry	Production of materials for several industries; B-2-B provider of materials, brand normally not known to end consumers
History	Strong, successful brand; player in its industry with a long historical standing; typical German post-war growth story
Products	Products are of high quality and carry guarantees. There are many main product lines with large amounts of different individual products underneath the main lines
Corporate structure	Headquartered in Germany; ten international plants. Centralised planning, product development, and HR
Number of staff	Ca. 4000
Staff in the analysed plant	Ca. 600
Ownership	Member of the list of the top 500 family owned businesses. The company is managed by a board and controlled by an advisory board of family members and industry experts
Revenues 2010–2014	Above 500 Mio EUR and constantly growing.

*Source:* Compiled by the author

and a transition from being led by engineers to being led by financial considerations and performance measurements. The company has reserves in own capital, almost no debts, and enjoys healthy profits due to product innovation, despite heavy competition with China. This is possible as the products are of a superior quality, are mission-critical in part, and are used in various industries, partly carrying long guarantees. The wealth and assets of the company are symbolised by several production lines, which are idle and are only used when client orders for these special products were obtained.

The company is a B-to-B supplier and normally not known to end consumers, although the products are in use virtually everywhere. Starting out from the mother plant, where the data collection took place, the company is now producing in several globally dispersed plants, and the once ‘German’ headquarter is now managing international plants. The mother plant is no longer treated as a special asset, but as one of several factories, which is difficult to accept for employees.

In the former ‘mother’ plant, HR had run some basic development programmes for shift leaders. The plant was subject to massive interventions about quality and efficiency improvements. Also, many projects and initiatives in relation to work safety and accident prevention were carried out. In order to stay competitive, the corporation needed to lower production costs, a process usually leading to new production processes and new ingredients. To that end, following a massive knowledge management initiative started by one of the board members, a team of new product development (NPD) managers was hired. Most of them were recent doctoral graduates, unfamiliar in engaging with factory workers, and, as could be established during the analysis, had received no training in NPD processes, or team building. This team was responsible for the entire group, yet their tests and recipe

change runs all took place in the mother factory. The centralisation strategies of the company also resulted in the set-up of a central planning office, which now catered for all engineering activities, machinery, and central purchasing.

The factory is run by a typical rotating five-shift system plus a day shift. The day shift is the basic production schedule for some of the work groups and for maintenance, recycling, and quality control. Some of these functions are distributed across the shifts as well. All department heads, the machine group leaders, and administrative staff work during the normal day shift.

Three of the shifts are the early, late, and night shifts, while another is the variable ('jumper') shift, whose workers get distributed according to the production plan, workload, vacancies/sick leave, and ad-hoc situations (planned downtime, rush batches, breakdowns, etc.). The fifth shift is the off-shift break, a recovery period. This follows a weekly schedule: shift workers work 1 week early, then late, then night shift, followed by a 1-week variable shift and then a week off.

## 5.2 Ensuring Right Sample Size and High Quality

According to Silverman (2011), qualitative interviews make the 'problematic assumption' that what respondents say can be treated as a report on social structures and processes as a real cognition. As discussed in the last chapter, qualitative research, which generalises such interpretations, is often criticised for 'probabilistic' or debatable measures of reliability, replicability and validity (Trotter, 2012; Bernard, 2011; Schensul & LeCompte, 2010).

The standard for an adequate sample size is to carry out interviews until redundancy is achieved, i.e., no new questions arise or no new topics and themes emerge (Bernard, 2011; Schensul & LeCompte, 2010). The notion of 'saturation' goes back to Glaser and Strauss's (1967) seminal work on the foundations of grounded theory. However, according to Trotter (2012), defining the correct point of saturation or redundancy is still a matter of debate. O'Reilly and Parker (2013) question the notion of saturation as irrelevant and claim that the appropriateness and adequacy of the sample are far more important. Trotter (2012) suggests that redundancy tests enhance reliability; if the same answers and information are retrieved repeatedly, redundancy has been achieved. He adds that generally, qualitative research tends to deliver too small samples to meet redundancy criteria.

Guest, Bunce, and Johnson (2006) argue that sampling needs to be based on an evidence-based approach; the sample design must be based on saturation in order to reach a *nonprobabilistic* status. They point out that saturation is guided by not only the number of interviews, but also which codes and issues are actually drawn from the sample for analytical purposes; this is an often overlooked issue. The authors refer to the circumstance that many researchers—after the coding and analysis phases—find out that their sample was too small and more questions are needed, and this would require returning to the interviewed population or sending another survey in order to reach out for more information. For practical reasons, this rarely

ever happens. The applied method of instant coding addressed this structural weakness and allowed this researcher to test for saturation.

Francis et al. (2010) suggest a stopping criterion. Here, interviews proceed on an ongoing basis until the stopping criterion is saturated, and this is tested in up to three further interviews. This approach also requires instant coding. A strategy of 'purposeful selection' is needed with a critical mass of input (Maxwell, 2013).

Only a sufficient number of interviews ensure that the sample becomes meaningful and random results are prevented (Kelle & Kluge, 2010).

Mayring (2007) is of the same opinion, stating that well-stratified and robust, i.e., bigger, samples, overcome all weaknesses based on a faulty interpretation of linguistics and the presented narrative. As Burgess (2006) cautions, when academics interview factory workers, considerable difficulties can emerge from false interpretations due to language issues and social differences; interpretivist research can prevent such misunderstandings by having a larger input basis.

Guest et al. (2006) suggest that the heterogeneity of the sample should determine the sample size as well; if subgroup variability exists, the research ought to capture that. Samples are generally more useful when they contain enough subgroups for comparison and contrasting purposes; comparing subgroups on several attributes is useful in order to describe the entire sample (Onwuegbuzie & Leech, 2007).

Scase and Goffee (1989) posit that a sample needs to be 'indicative' for the research population, normally by mirroring structural realities. Kelle and Kluge (2010) stress the importance of a defined stratification of the sample as opposed to random sampling, which blurs results. They also suggest using 'contrasting' types of interviewees (e.g., very satisfied and very unsatisfied employees, or those with a long and a short standing with the company). Rubin and Rubin (2012) add a vital criterion, namely that respondents need to be able to understand and explain their culture and processes. This was ensured in all interviews.

Salganik and Heckathorn (2004) suggest the design of a 'network' sample, a larger segment of a community tied together by a common relationship. This allows the analysis of core versus peripheral participation, social interaction of roles, influence, and status. Marshall (1996) argues that random or probability sampling does not enhance the quality of qualitative research because respondents are often selected for 'convenience', i.e., are easy to reach or want to be interviewed.

According to Watters and Biernacki (1989), the quality of a sample improves with 'targeted' sampling: here, special consideration is given to reach members of social systems that are hidden, hard to reach, and have a lack of visibility. Following this guidance provided some of the most productive interviews. Section 5.2 lists further measures followed in order to enhance the quality of the chosen sample.

As shown in Chap. 4 and in this chapter, many measures were taken in order to enhance the quality of the process itself (see below, Table 5.2). Several quality enhancements were applied during the sampling process:

Following these recommendations, the analysis is directed towards forming an adequately large sample. Of central importance for the quality of qualitative studies is whom to interview, in what role and how many respondents. As the respondents come from one organisation only, a quality sample was needed, which also had to

**Table 5.2** Summary—criteria enhancing the quality of a sample

Sampling and quality criteria	Author(s)
Prevention of an improbable sample; achieving a reliable, probable, replicable and valid sample	Trotter (2012) Bernard (2011) Schensul and LeCompte (2010)
Interview to a degree of redundancy, i.e., no new questions arise or no new topics and themes emerge. Similar: Interview to a degree of saturation. Based on grounded theory Use stopping criterion to test for saturation and redundancy	Bernard (2011) Schensul and LeCompte (2010) O'Reilly and Parker (2013) Trotter (2012) Glaser and Strauss (1967) Francis et al. (2010)
Adequate size, large enough sample A 'purposeful selection' with a 'critical mass' of input is needed	Kelle and Kluge (2010) Mayring (2007) Guest et al. (2006) Maxwell (2013)
Quality respondents, experts; ability to explain adequately process and culture	Rubin and Rubin (2012) Kumar et al. (1993)
Sampling needs to be based on an evidence-based approach and clear criteria	Guest et al. (2006)
Networked, targeted sample tied together by relationships	Salganik and Heckathorn (2004) Watters and Biernacki (1989)
Select hidden/not easy to find respondents, identification of relevant, potentially 'concealed' but valuable respondents	Marshall (1996) Watters and Biernacki (1989)
Selection with purpose in mind, critical mass, realistic mirror of the population	Maxwell (2013) Scase and Goffee (1989)
Include sub-groups, mirror heterogeneity	Onwuegbuzie and Leech (2007)
No random sampling, proper stratification	Kelle and Kluge (2010) Marshall (1996)
Use of contrasting types and sub-groups	Onwuegbuzie and Leech (2007) Guest et al. (2006) Scase and Goffee (1989)
Overall criteria for a quality interviewing process: – Anonymity and protection during interview and data analysis – Research ethics – Safe and undisturbed environment, protected atmosphere – Quality interviewing process – Professional methods – Experience and interviewing skills	Vainio (2013) Rubin and Rubin (2012) Helfferich (2011) Silverman (2011) Kvale and Brinkmann (2009)

(continued)

**Table 5.2** (continued)

Sampling and quality criteria	Author(s)
<ul style="list-style-type: none"> <li>– Research ethics protecting the individual</li> <li>– Secure data handling</li> <li>– Rapport</li> <li>– Language skills</li> </ul>	Bogner et al. (2009) Yin (2009) Bryman and Bell (2007) Burgess (2006) Guillemin and Gillam (2004) Ramcharan and Cutcliffe (2001)
Use of unprompted instead of prompted information	Kinnear and Taylor (1996) Macdonald and Sharpe (1996)

*Source:* Compiled by the author

be representative for this organisation. There is still a single source bias, so all measures have to be undertaken to stratify a sample from this single source in the best valid, meaningful, robust, reliable, and replicable way. The sample should include employees from all relevant departments, as well as newer and long-standing employees, and leaders from all levels.

Interviews should take place within the boundaries of a designed stratification of the factory, mirroring the structure. Special attention was given to those work groups which are normally hard to reach or are not very visible.

The following overview (Table 5.3) indicates the structure of the factory and the stratification of the sample; it provides the staff numbers in the various work groups, and how many of these were interviewed. Manufacturing line departments, for reasons to ensure anonymity, were relabelled.

This stratification plan gave an indication of the minimum interviews needed from each department or work group, initially targeting a sample of 80 interviews. The machine maintenance mechanics were working for all machine groups and across the entire factory, and had many insights to offer in regard to evaluating different departments. They often worked deep inside the factory manufacturing lines and were hard to find. Owing to short tenure and their lack of experience with leadership situations and issues, apprentices and very young workers were excluded from the sample. The youngest respondent was 32. Saturation of the main topics was reached after 60 interviews; however, in order to have a more complete picture of some departments, shifts, job profiles, or contrast groups, more interviews were added to the planned number, totalling 101 complete interviews. Three respondents were women. Two further interviews were not included; these conversations did not yield meaningful information, as the respondents had no opinion, gave no examples, or answered all questions with too few words. 101 complete interviews were carried out; nearly a fifth (17.4 %) of the total population of 581 employees working

**Table 5.3** Factory structure and sample stratification

Factory structure Departments/Work groups	Staff totals	Dept. leaders	Shift and deputy shift leaders					Totals
		Day/3- Shift	Shift A	Shift B	Shift C	Shift D	Shift E	
Materials preparation and mix	60	1 of 2	3 of 11	1 of 16	2 of 12	1 of 12	1 of 11	9
Machine Group 1	129	3 of 3	2 of 28	6 of 25	4 of 26	1 of 25	1 of 25	17
Machine Group 2	70	3 of 25	1 of 9	1 of 9	3 of 9	1 of 9	4 of 9	13
Machine Group 3	76	2 of 2	1 of 15	2 of 16	4 of 14	2 of 14	2 of 16	13
Machine Group 4	21	1 of 2	4	1 of 4	4	1 of 4	3	3
Quality control	86	2 of 16	2 of 16	2 of 15	2 of 15	3 of 16	2 of 16	13
Recycling center	6	2 of 6	–	–	–	–	–	2
Storage/Expedition	35	4 of 35	–	–	–	–	–	4
Machine set-up team	12	1 of 2	2 of 2	2	1 of 2	2	2	4
Machine maintenance	32	9 of 32	–	–	–	–	–	9
Shift machine maintenance	15	–	1 of 3	1 of 3	1 of 3	2 of 3	3	5
Quality control laboratory	30	2 of 20	1 of 2	2	1 of 2	1 of 2	1 of 2	6
Design control	4	1 of 4	–	–	–	–	+	1
Raw material storage	4	1 of 4	–	–	–	–	–	1
Security (shift not indicated) <sup>a</sup>	1 of 5		1	1	1	1	1	1
Totals	581							101

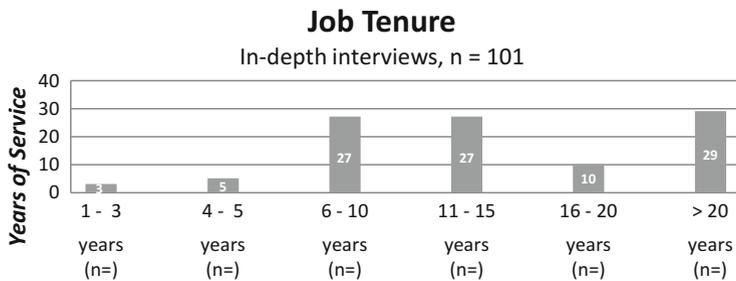
Source: Data from researched company; adapted and changed by the author

<sup>a</sup>As there is one employee from the security work group in each shift, in order to protect anonymity, it has not been indicated which shift the respondent is from

at the factory was interviewed. The interview sample consisted of 65 workers and 36 leaders from all three managerial levels:

- 65 machine operators, electricians, mechanics and quality controllers;
- 3 top plant leaders,
- 8 department leaders,
- 3 deputy department leaders,
- 16 shift leaders (typically leading a group of shift workers within one department/machine group) and
- 6 deputy shift leaders.

The following (see Fig. 5.1) indicates the tenure of the respondents:



**Fig. 5.1** Factory employee job tenure cohorts

Job tenure is high yet typical, and compares with other traditional industrial corporations in Germany. One important factor to consider in this regard is that the change readiness of employees usually decreases with length of tenure (Kass, Vodanovich, & Callender, 2001), and, interestingly, there is evidence that this applies for leaders as well, up to and including the CEO level (Rafferty, Jimmieson, & Armenakis, 2013). The high tenures have been especially beneficial as respondents were able to discuss their views including how these have changed over time, and what the differences were within the culture and leadership of the plant. Following Scase and Goffee (1989), shorter tenures were especially looked for and useful for contrasting and comparing experiences in the companies the employees were working in before joining the researched factory. Identification with the company increases with higher tenure, according to Fuchs and Edwards (2012). However, in this factory, identification was declining, as Chap. 6 will elaborate.

### 5.3 In-Depth Interviews Validation of Issues and Narratives

The interviews were carried out following the process of inductive categorisation (see Sect. 4.6). During and after every interview, the statements were cleaned, sorted and coded. Overarching themes, sub-themes and single issues were identified. All issues were added to a list. Following Macdonald and Sharpe (1996), the objective of the entire interviewing process was to obtain as much unprompted information as possible.

Questions posed were neutral, not guiding and not leading. The interviews were growing in length, as more and more questions were added; the Appendix explains the organisation of the interviews with their semi-structured, follow-up and open questions, followed by additional questions which arose out of the context. The appendix also provides an example of a typical interview. The aim was to not allow affective ‘halo effects’, i.e., questions which are formulated in a way that answers are already suggested or implied by a wording or answers tend to be too negative or

positive because of the way the question was phrased (Borg, 2003; Staw, Sutton, & Pelled, 1994). Following Kumar, Stern, and Anderson (1993), ‘key informant’ methodology was applied; an evaluation of the respondent competency (Rubin & Rubin, 2012) was part of the process. All issues and incidents relied on multiple informants in order to enhance their reliability, and to cross-check for individual biases and animosities. All reported incidents and issues were interviewed to a degree of saturation, and all reported incidents were found to be reliable, comprehensible, credible, and realistic.

The interview process with the studied company resulted in 101 intensive in-depth interviews, ranging from 40 min to 2 h. The average interviewing time grew with the processed issues. All interviews are judged to be of sufficient quality. Deliberately going from one department to the next and coming back was extremely useful to check back on emerging themes—as opposed to interviewing one department after the other, not being able to return to challenge and check issues. In addition, this approach was very helpful to separate relevant issues from individual ones. Finally, the interviewing process was carried out in an unobtrusive and almost unnoticeable manner this way.

The information obtained by these in-depth interviews is judged to be authentic and of good quality. All statements, which were of interest or strongly expressed, were reread to the respondent and it was clarified whether this was a truthful account and reflection of what had been said. In very few cases minor adaptations had to be made to individual statements. This signified the input was recorded correctly, mirroring the intention of the respondent. However, the best interviewing method is prone to fallibility, if the sample is not stratified well, which was avoided by the chosen approach. The next section will explain the framework which was deployed for further organisation and analyses of the data.

## 5.4 Data Coding

One of the characteristics of the analytical process was that the coding process already took place during the interviewing phase. There were 17 main themes or ‘units of analysis’ (Rubin & Rubin, 2012) accompanied by many sub-themes and issues, which emerged out of the interviews:

1. Appreciation.
2. Bad Planning.
3. Bad Processes and too many things going on.
4. Corporate Climate.
5. Corporate Communications.
6. Favouritism.
7. Implications for Co-operation.
8. Implications of Poor/Bad Leadership Styles for the Employee’s Health.
9. Integrity.

10. Internal Competition.
11. Leadership Characteristics.
12. Maintenance Issues.
13. Motivation.
14. 'Old Boy's Network'.
15. Quality Problems.
16. Team Spirit.
17. Trust.

The dimensions 'leadership characteristics', 'trust' and 'appreciation' had a wealth of examples of unethical behaviours from leaders, and these sub-categories were also evident in dimensions like 'co-operation' or 'employee's health and wellbeing'.

The data analysis framework had two obstacles to consider. Firstly, the vast amount of issues and statements had to be grouped and separated from the initial question, and also reduced by number. Secondly, the data organisation and how the data were pre-processed for analysis had to be resolved.

The data were transcribed in written sentences containing listed codes, and with strong text statements with regard to an issue. Data overload can be a major problem for thorough qualitative studies, which requires a reorganisation and reduction of the available main themes and their sub-issues (Kelle & Kluge, 2010). Altogether, more than 6000 points and 4500 relevant single items had been recorded; nearly 1200 single statements were taken from the record sheets, 640 of which were text rich and identified as suitable for further processing for the content analysis. A relational Access database was used; its header/identifier fields still following the name of the original issue cluster code. Only codes and incidents were included that had a clear relation to leadership, leadership culture or the outcome for motivation and climate or organisational culture itself. All data input was anonymous. The sequence number of the interview ('respondent number') was used as *common relational identifier*, which was needed to trace back all statements to the original interview.

- Respondent 1 was removed from the data base, because this was the only respondent rushing forward volunteering, instead of being randomly picked.
- Issues and codes transferred for analysis were prioritised by how often they were mentioned across the sample. At least half of the population mentioned the following issues. Most issues were mentioned by two thirds of the population across the sample, and some were followed up to 100%. With this it is meant, that those issues which emerged from the beginning or early, and that were of high interest, were followed up by asking questions about these issues, if they did not come up unprompted.

Sorting the issues on the basis of this relevance to the respondents resulted in 12 main themes:

1. Leadership Culture (the characteristics of leadership).
2. Trust.
3. Appreciation.
4. Internal Competition.

5. Motivation.
6. Corporate Climate.
7. Integrity.
8. Team Spirit.
9. Favouritism ('Nose Factor/Leaders Darling'<sup>1</sup>).
10. Nepotism ('Old Boy's Network').
11. Implications for Co-operation.
12. Implications of Poor/Bad Leadership Styles for the Employee's Health.

In a next step, the input from the interviews was disconnected from the original codes and interview questions under which they had been recorded during the interviews where necessary and placed under the appropriate main theme headers.

- Regrouping the data input and in some cases registering the input under 14 new issue headers was necessary, as many respondents mentioned issues related to trust (and many other codes) repeatedly and under different themes and narratives. Kelle and Kluge (2010: 60) define this process as 'abductive coding'. Such data could now be retrieved under the new main topic 'trust' as well as under a main category ('motivation') or from the concrete narrative it originated from (answer to a question).
- This also allowed overall SQL (structured query language) queries for departments or contrast groups, for example, selecting all trust issues sorted by department and leaders or workers.

1. Leadership culture and characteristics.
2. Trust.
3. Integrity.
4. Unfair, Unjust (Leadership Perception).
5. Motivation.
6. Corporate Climate.
7. Appreciation.
8. Team Spirit.
9. Nepotism.
10. Favouritism.
11. Co-operation.
12. Internal Competition.
13. New Product Development Issues ('The Doctors').<sup>2</sup>

Further additional categories, extracted from the data and analysed, were:

14. Historical Facts and Remarks.
15. Product (X) Call-back Issue.
16. Product Quality.
17. Machine Speed.

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<sup>1</sup>These terms were also coined and used by a majority of the respondents (see Chap. 6).

<sup>2</sup>This label was also frequently used by many respondents.

18. Maintenance Problems.
19. Communication Problems.
20. Incentives, Rewards, Punishments.
21. Deferred Periods (Wage Continuation for sick days).
22. Health Issues.
23. New Shift System.
24. System comparisons (recent and current employer).

In order to contrast and evaluate departments concerning leadership ‘quality’ and culture, the departments contained in the sample were coded and respondents belonging to these accordingly coded in the data fields:

1. Machine Group 1.
2. Machine Group 2.
3. Machine Group 3.
4. Machine Group 4.
5. Materials Preparation.
6. Quality Control.
7. Machine Maintenance.
8. Quality Control and Quality Laboratory.

The interview data were also enriched with the following coded data fields:

- a) Leader, b) Worker, c) Tenure.

‘Leaders’ had an additional coded data field which identified them as belonging to one of the following categories (see sample description): Top Leader, Department Leader, Deputy Department Leader, Shift-Leader and Deputy Shift Leader. All issues relating to the organisational context were flagged with a code as belonging or explaining ‘context’, or the ‘operational environment’. Here, the main themes were the development of new products (NPD) and internal competition. The next section will more fully discuss the management of the codes and their interpretation.

## **5.5 Analysis Method Framework**

The obtained list of main themes and categories now needed to be regrouped in order to reflect the conceptual research framework models and the related research questions.

In a last step, the data matrix was enriched, and reorganised. Saldana (2009) recommends testing the most important codes for consistency of the data used for the analysis; this consistency in the way perceptions were described from respondents was fully reached.

The selection of the main issues created for the analysis and the findings chapter was based on the relevance as seen by the sample and for a critical discussion of the research questions.

Following the notion of inductive categorisation, main topics were addressed, however, the respondents had a lot of room for their own emerging agenda and

opinion. This was encouraged by asking open questions with little guidance, aiming at unprompted information. This iterative data generation process resembles in part the approach grounded theorists use; in this research study however, the aspects of immersion, absorption and theory-building are of a lesser importance; moreover, field notes, memos and observations are not part of this analysis (cf. Bryman & Bell, 2007; Howell, 2013). Open, axial and selective coding processes for example are also not exclusive to grounded theory, but are commonly used in many social science studies (Saldana, 2009; Creswell, 2009; Bryman & Bell, 2007; Mayring, 2002; Boyatzis, 1998).

Saldana (2009) generally suggests coding in two circles: the first one to set the primary themes and their sub-themes; the second cycle to look for patterns and additional themes. Mayring (2002) proposes pulling the second phase forward by coding the interviews not only for issues, but also for patterns (right after they have been conducted), which for him is the *heart of inductive categorisation*.

Following Kelle and Kluge (2010), the creation of main themes allowed placing the individual statements within these categories, indicated and grouped by further codes which identify sub-topics for a content analysis and synopsis. Data mostly generated on individual perceptions and individual feelings can hardly follow social or process coding characteristics and needs to revert to 'sensitizing' concepts (Kelle & Kluge, 2010). Boyatzis (1998) recommends using consistent coding criteria; suggesting that codes need to reflect that themes and issues should be recognisable and have a shared meaning for other members of the sample as well. By naming the issues with codes stemming from the respondents themselves ('old boy's network', 'favouritism', 'nose money', etc.), this was ensured, repeatedly tested and verified. Silverman (2011) warns that the reliability of qualitative research is dependent on a categorisation that ensures the contextual sensitivity of the input. This requires, following Burgess (2006), constantly checking with respondents that the issues were understood, and also no linguistic problems or cultural differences between researcher and respondent emerged. This was adhered to and tested; the chosen codes were very successfully prompting information from respondents just by using them, without having to ask specific questions.

Following Saldana (2009), further 'domain' and 'taxonomic' coding looking at cultural internal issues or ethnographic information beyond leadership perception and operational context was avoided, in order to not expand the scope above the already enormous data input. Typologies based on similar and on contrasting perceptions have been created for further analysis. All codes were developed during the interviewing phase, however were directly integrated into the interviewer guideline (see Appendix), resulting in a mixture of open coding and working with typological analysis looking for similarities in described behaviour (leadership conduct implying an intention) and their perceptions (Kelle & Kluge, 2010; Mayring, 2002).

The following findings chapter will critically explore and summarise the data of the identified main themes, organised in relation to the research framework models and the research questions. The findings are based largely on unprompted information and are judged to be relevant. Findings are shown using percentages, giving the findings chapter of this qualitative study an unusual look. However, this is more owed to the fact that 100 interviews can be easily summarised this way, while also

illustrating the strength of the perceptions of workers and leaders of the researched factory. The views within the sample are astonishingly strong; all perceptions are held by a clear majority of the sample, as the findings chapter will reveal.

This section has discussed the interviewing process and the criteria enhancing its quality, and the rationale for the sample size and its stratification, which is one of the crucial steps for ensuring reliability and validity in social research. Next, the framework for data organisation and interpretation was introduced. Also, the treatment of the data input, how the data was structured, coded, recoded and prepared for the final analysis, was made transparent. Finally, the main ‘themes’ which were re-grouped for further interpretation and analysis have been established. The following graph (see Fig. 5.2) illustrates the involved processes and approaches of the deployed research framework.

The next chapter will present the findings, and discuss the perceptions of the interviewed workforce sample in relation to these themes.

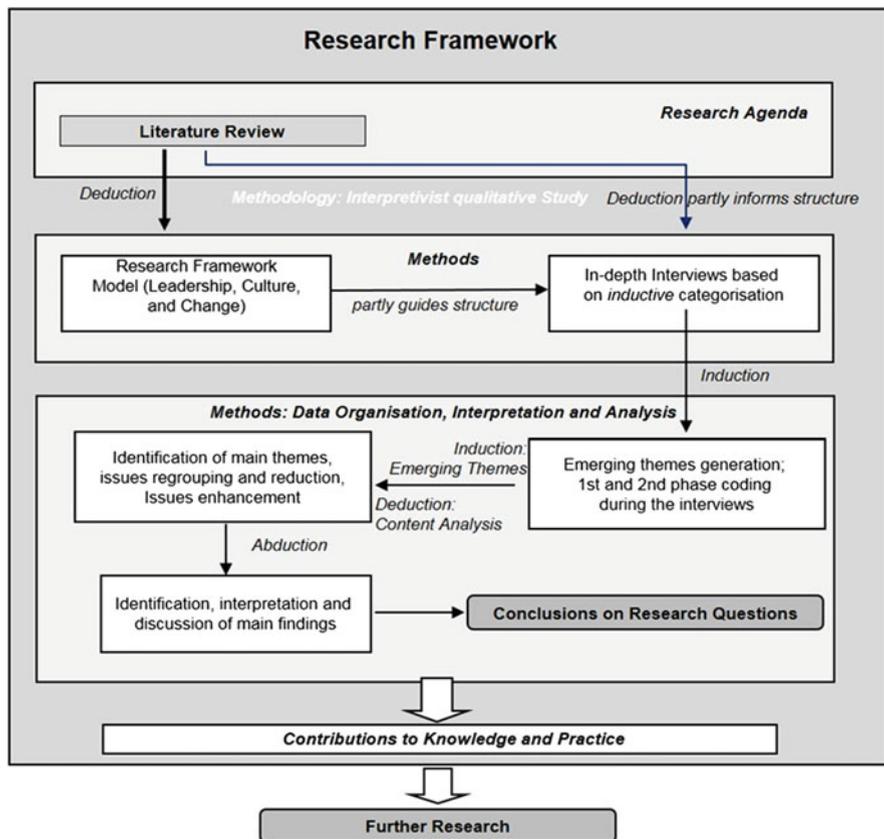


Fig. 5.2 Research framework of the study

## Chapter 6

# The Effects of Bad Leadership: Results and Findings from the Data

This chapter will report selected main findings of the primary research. Notably, all issues discussed in this chapter were reported at least by half, and mostly by two thirds or more of the respondents.

As is often practiced in qualitative research studies, original citations are used to illustrate the findings, giving respondents a voice and readers a flavour of the interview content. All citations are marked with the respondent number and role: w stands for worker and l for leader. The used statements are ‘typical’ insofar as they were repeatedly expressed in similar or equal words. They were originally in German and were translated by this researcher into English capturing the original meaning in the best possible way. The sole responsibility for errors out of the translation process lies with the author. As the analysis comprised input from exactly 100 interviews, representing data in graphs using percentages—rather than being an intention to quantify—seemed a natural aid to illustrate the strength of a perceived issue within the sample.

Also described in Chap. 5, findings are based on unprompted information and are grouped and operationalised by the three key themes of the research framework model developed in Sect. 3.6:

### 1. *Operational and situational context/Change.*

Section 6.1 reports the main issues relating to or explaining changes in the operational context and how these were led. Here, the main themes were ‘quality vs. machine speed’, the ‘development of new products’, and ‘internal competition’ (Sects. 6.2–6.3).

### 2. *Leadership.*

Regarding leadership culture (Sect. 6.4), the main identified themes were ‘favouritism’, ‘nepotism’, ‘appreciation’, ‘integrity’, and ‘trust’ (Sects. 6.5–6.8).

### 3. *Corporate culture.*

‘Leadership climate’ and ‘work climate’ are reported in Sects. 6.9 and 6.10. Organisational culture and leadership culture were analysed by further drawing

from the themes ‘team spirit’, employee ‘motivation’, and the implications for ‘co-operation’ within the factory (Sects. 5.11–5.13).

Section 6.14 describes an additional, unexpected finding: many respondents reported that poor leadership was ‘negatively affecting’ their health; this was judged to be an important addition to the analysis.

Section 6.15 summarises the introduced findings.

## 6.1 Situational Context and Operational Governance

The following contextual description of the researched factory is based on statements concerning issues which were each verified by a minimum of 15 individuals.<sup>1</sup> As during the entire analysis, there was a very high consistency in all matters presented here. All presented original citations are typical, and are shared by many other respondents, often even with similar or like wordings and descriptions.

The factory is a place of constant change, particularly after the former head of production, who had been at the helm for nearly two decades, left. During his leadership, the managing directors had less influence; the organisation was engineered and production-driven, while now managerial thinking and financial decisions are predominant.

I can’t recognise the company as a family-owned business anymore, it has been growing to a concern. But when I was with Co. xy, they were 15 years ahead in modern production. People here used to work in sandals, they had beer vending machines in production, and overall low safety. Now we want to make up for the past 20 years in a few months. (Respondent 47, w, Administrating staff)

Cost cutting, modernisation, and work safety regulations have been constant topics since then. More than half of respondents in the sample stated that the company was more than a decade behind in safety regulations, health protection, and environmental issues (lifting aids, ventilation, filtration, air conditioning).

“For 40 years, we have not done much in regard to modern management, now we are trying it all at the same time.” . . . “Long-term planning became impossible, we are only getting constant rush jobs. Shift handovers are getting a mess, despite special training, due to so many incomplete jobs. Our planning capabilities are deteriorating. The rhythm has gone—too many deaths one must die in order to make everyone happy. We need better criteria and a system of who leads.” (Respondent 28, Deputy Shift Leader)

Investments into new technology were strong, the company was financially healthy, and while the company was as successful as ever, the workers’ council claimed that there was a lack of motivation within the workforce. It was felt that perhaps something was wrong with the working conditions or the recently

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<sup>1</sup>Main contributors were respondents 11, 12, 23, 25, 26, 33, 35, 45, 46, 47, 48, 50, 60, 61, 64, 67, 76, 79, 85, 93, 94, 100 (workers) and respondents 1,2, 18, 27, 31, 32, 38,40, 47,86, 92 and 99 (leaders).

introduced new shift system. The workers' council wanted to have the old shift system back. Both the board and the workers' council supported this study in order to shed light on the motivation and climate within the factory, which allowed rare direct access to the workforce.

'Operational governance' in this research study refers to the way in which a factory is guided by several layers of governance. Corporate governance is normally expressed in policies, codes, and process or compliance guidelines. Compliance with these policies is controlled by the direct supervisors, while the factory head (head of production) reports to the board. Normally, strategic general management issues are not part of operational governance. However, the underlying assumption here is that any CSR initiative that is part of corporate governance must also become part of management/operational governance, otherwise it will not be successfully implemented.

Other operational governance policies in a factory deal with standard and production procedures, machine operation rules, regulations, cost efficiency and work routine rules, work safety, and other guidelines such as waste control and quality management. Following the described changes in the factory, the level of governance activities was increasing; more instructions on jobs and procedures than ever were now being communicated to shift leaders.

The company has informed employees with a staff magazine and an intranet platform for several years. Operational governance is currently perceived as dealing with instructions in regard to following work safety, but mostly with 'being productive', reducing waste, and meeting the internal competition and cost targets. Usually, the shift leaders and department heads pass on these instructions, which are also published on the various noticeboards and on the intranet.

Intranet terminals were installed on the machine lines, but intranet access was removed for "*safety reasons*" after the department heads found them to be a "*potential source of distraction*" (8,1). There are now three open coffee lounges with intranet terminals, but 65 % of the workers said they do not like to be seen sitting there reading intranet announcements, mostly because they "*receive negative comments from by-passing leaders*", are "*yelled at*", or "*asked, whether they had nothing to work on instead*" (respondents 8 l, 20 w, 21 w). As communications play a major role, all respondents were asked about how they were informed about the company, how they perceive the communications, what they know about corporate values and strategies, and how they personally communicate with their leaders and between departments. Most respondents stated that official communication channels do not work, and that leaders were not passing on information. Also, normal operational communications were perceived as malfunctioning by half the sample. A typical statement:

It is normally a standard process, as we are the ones who need to know. But communication is really really bad, takes ages until we get important messages, lots of rumours, it takes ages until we get official statements. This goes as far as that we often encounter entirely new machines, which are all of the sudden installed, without warning, without documentation. (Respondent 73, Worker, Machine set-up)

Media usage analysis is not reported here; however, the results are alarming. Only four leaders and six workers were able to repeat parts of the current corporate strategy. One third of the leaders and two thirds of workers complained that corporate news was always bad, served as a “*board trumpet*” (40,1) or contained no relevant news about products or manufacturing; instead, it was mostly about new hires in the admin buildings and cost cutting in the operational ones.

And on the intranet you have all these announcements, let’s welcome Dr. X, let’s welcome Dr. Y, let’s welcome Dr. Z. For each one of the doctors and their company cars, five of us had to go. But the product knowledge sits with us in production, yet that doesn’t interest them, and they never ask. (Respondent 52, Worker, Quality Control)

In regard to personal or intradepartmental communications, 80 % of *both* groups stated that communications with ‘bigwigs’ are non-existent or scarce, leaders were issuing pressure and bad news communications only, and that operational communications was always too late, too little, too “*filtered*” (95 w), or not happening at all.

From a top leadership perspective, corporate communications are not reaching the factory audience. Similarly, operational and managerial communications were often perceived as false or as having missing parts; more than half of the staff perceived leaders as having poor communications behaviour. In particular, communications between the machine groups, technical planning, and the maintenance and set-up teams were judged to be at an “*all-time low*” (74 w).

Work safety, cost cutting, improving production speed, and the reduction of waste were the operational aspects which were reported to have the greatest impact on communications within the factory.

Stenmark and Mumford (2011) list the following situational impacts that can negatively influence ethical leadership culture: performance pressure, competitive pressure, interpersonal conflict, threats to self-efficacy (decreasing capacity to perform a task, loss of competence), and decreasing autonomy in the decision-making process. As the findings reveal, all these symptoms exist in the factory. According to Elci, Sener, Aksoy, and Alpkan (2012), ethical leadership negatively affects the intentions of employees to resign, while work-related stress has a positive effect on such intentions. The authors conclude that one of the most important aspects of leadership is to reduce perceived work-related stress. In a factory, such stress necessarily is an outcome of managerial decisions and cannot be prevented, only softened. Ethical leadership potentially mitigates stress effects and enhances commitment and loyalty (Elci et al., 2012; Treviño & Brown, 2007). In the case of this factory, the opposite is happening: constant pressure is passed down through the chain of command, which is perceived as happening in unethical ways.

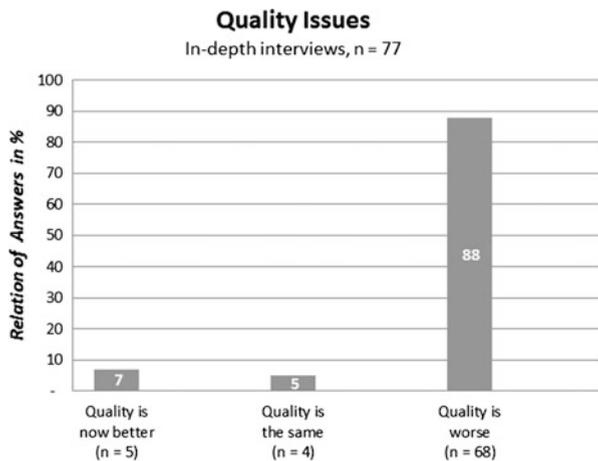
Stenmark and Mumford (2011) summarise their study that pressure to perform is something typically associated with leaders. In a factory, however, this is not relevant only for leaders, but also for staff: While nearly all leaders stated that they feel pressure to perform, more than half said they see it as their leadership task to pass the pressure on and confront everyone else with pressure to perform as well. In total, 90 % of the workers in the sample complained that the stress levels caused by pressure to perform and to reach production targets were constantly increasing.

In several interviews, leaders as well as workers explained (unprompted) that despite a negative work climate, they would not resign, as this was the largest factory in the region. The “*uncertainty of finding a suitable job elsewhere weighs more than the present pain*” (91 w); regarding their constant dissatisfaction with the circumstances, many respondents described themselves as having become indifferent and callous over time. Others described this as “*inner retirement*” (35 w) or “*resignation*” (43 w) of many workers. Statements such as these sum up the thoughts of more than a third of the leaders and almost half of the workers. Out of the many issues regarding context, three were mentioned by almost everyone, namely the culture clash of ‘speed vs. quality’, issues around the development of new products, and internal competition. These are examined in the following two sections.

## 6.2 Quality vs. Speed and New Product Development (NPD)

There are many issues in the factory, which seem to symbolise a culture clash. The machines run at a much higher speed than traditionally. In the past, perfect product quality was the main concern; now performance measures such as ‘x per minute’ are preferred. Generally, this has led to an overall decline in quality. ‘Speed is more important than quality’ has become the new mantra, an issue of large concern for employees with a longer tenure. Issues such as these caused almost half of the workers to want the old head of production back. While he was described as a very rough and unfriendly leader, another main reason for this nostalgia was that he was also described as being ‘fair’ and ‘just’, leadership qualities that are greatly missed, as Sect. 6.4 will reveal. Workers and leaders were of the same opinions regarding quality and speed. The quality issue played out as shown in Fig. 6.1 below:

Fig. 6.1 Quality issues



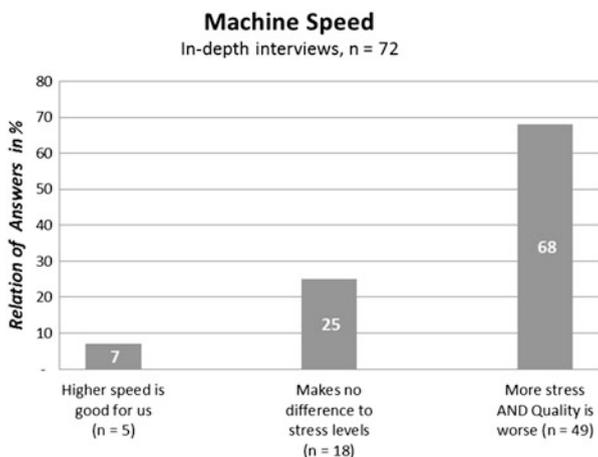
As not all respondents were operating machines, 77 respondents gave statements concerning this issue, yet with a clear tendency. One machine crew in group 1 received a thank you note from the department head because they had a record production run, bringing the system up to a new record speed. They also received a letter from the head of quality department, giving the instruction that a certain (much lower) speed was not to be exceeded on this machine, as this was causing quality problems with the product from this line, as could be seen from product y batch run z (which happened to be the record run product and batch). Both letters were put up on the blackboard sitting next to each other. Such conflicting messages were reported by three departments as coming on an ongoing basis, and were a constant source of mockery and confusion regarding who has the say in the factory (21 w, 74 w, 81 w, 86 w).

Regarding the issue that machines run faster, only a few workers saw this as positive because of higher productivity. The speed issue, machines run faster and this leads to more stress (while quality deteriorates) had the following totals (see Fig. 6.2 below).

Four further workers saw no quality issues despite more stress. In regard to the speed issue, some workers had quite strong opinions about the consequences, as they were operating the production lines with fewer people now, which was further increasing stress levels. Leaders saw more of the productivity issues, for which they were held accountable. Some machine crews complained they “hardly had the time to go to the toilet anymore”, especially “if colleagues called in sick” (5 l, 21 w).

The quality issue concerned almost two thirds; the explanations were along the line that many products had guarantees attached, which had been running for decades in some cases. The production culture had always focused on top quality, and competition with China was perceived to be on low quality products, which was a different business. Making more ‘x per minute’ at the cost of quality was felt to be the wrong strategy by workers and leaders alike.

Fig. 6.2 Machine speed



Two years ago, a team of NPD managers were hired, typically with a doctorate in chemistry or production technology. Members of this group were referred to as ‘the doctors’; the label under which the employees subsumed how this company was implementing the NPD strategy. Almost the entire sample including most leaders saw the ‘doctors’ virtually as their enemy:

The doctors are insane. Who controls these people? They ruined product (X). They change ingredients, recipes, have no clue, try to improve but make everything worse, change suppliers and cut costs by not checking deliveries anymore—all terrifying to watch. They have no street credibility. They don’t listen, don’t ask—these are the most hated people in the company, and have no clue, really. (Respondent 49, Department Leader)

Sometimes the quality of a product goes down for days, for weeks—due to bad recipes, bad processes. The doctors give us no information, we compensate by exchanging machine parts and recalibrating all the time, but it doesn’t help—what on earth is going on? The doctors change recipes, and when we then produce not according to specs, we get in trouble, and yelled at. This is highly unjust. (Respondent 75, worker, Machine Set-up)

Owing to environmental laws, some of the ingredients of the products had to be exchanged. However, workers and leaders alike were much less concerned with environmental issues than what changing recipes did to the product quality. The cultural DNA was also focused on one saying, which was recited many times: “*Never fiddle around with the recipes, and particularly never ever touch the recipe of product (X)!*” (same, or similar 21 w, 26 l, 27 l, 32 l, 36 l, 38 l, 40 l, 42 l, 44 w, 53 w, 64 w, 66 w, 92 w, 97 w). This product was a high end product, a volume seller with a high margin and a very long guarantee. Those worries were fuelled by a critical product recall incident for this product. Many statements described a real conflict situation: starting with the label ‘doctors’ itself, which was commonly used, symbolising the conflict. Or that “*for each doctor hired, several factory workers had to be laid off*”, which was mentioned 14 times and across all departments (14 l, 21 w, 25 w, 38 l, 40 l, 41 l, 42 l, 48 w, 51 w, 54 w, 60 w, 66 w, 81 w, 92 w).

Seemingly the board’s ‘Knowledge Management initiative’ failed, as recipes were changed in an uncontrolled way and the NPD strategy was flawed, as reportedly no new well-selling products were in the pipeline. Instead, a vital and successful product had to be called back, meaning that serious doubts in the way the plant was governed, existed. Two thirds of the sample also had worries about the safety of jobs and the future of the company.

There was also another issue leading to distrust, which was perceived as being handled in very unethical manner: ‘internal competition’.

### 6.3 Internal Competition

The internal competition issue received a lot of attention, being mentioned in 342 statements. Two thirds of the leaders saw this as a major problem (however, typically not discussing *their* role in this), and nearly all production workers had negative views on this:

Internal competition is constantly present, with many discussions, and is a topic of team meetings. No one believes that the others are better, the feeling of being mistreated persists. There is too much competition thinking. (Respondent 56, Machine Operator)

This is a nightmare, all apples and pears. A constant threat the company works with, really damages motivation, and no one believes it anyway—the company is at war with their plant employees. (Respondent 52, Worker Quality Control)

All factories are getting told that the other ones are better; these are unjust ways, leading to distrust everywhere. (Respondents 8, 22, and 24, Machine Operators)

Workers perceived the potential displacement of products to other factories as manipulation and threat without true foundation, and as manipulated performance and cost measures by plant managers. This factory was the oldest in the group; its employees had trained many machine crews at the other plants and knew their specifics and performance profiles. Some machinists had been on international exchange assignments for these reasons: they knew the factories in question well and were particularly sceptical. While more than 75 % of the total sample did not believe that other factories were better, they were all frustrated and annoyed by the constant pressure and ‘threatening’ discussion:

We are constantly put under a lot of pressure, especially by the internal competition. We have lost the mother plant status, many are hurt by that. But we earned all the money that the company used to buy the other factories! All the time we are threatened, that other plants produce cheaper. But the measures aren’t correct, are apples and pears. We know! We trained the other plants. (Respondent 18, Shift Leader. Similar to respondents 24, 34, 44, 45, 69, Machine Operators; 33, 43, 100, Shift Leaders)

This issue was also followed up with specific questions. Altogether, 90 % of production workers and 55 % of leaders agreed with the following statements (which were alike, or similar, to the one given below), and many respondents agreed with two or all three items:

*I feel the pressure of internal competition.*

*This is a comparison of apples and pears.*

*I do not trust that the figures used here are correct.*

One critical finding regarding internal competition was that most of the members of the leaders group did themselves not buy into the foundations of this discussion, distrusted the measures, and did not like this discussion:

Comparing production costs is used as a means of pressure for us. We have so many plants now, they all want to be utilized. These are all lies about performance, is all apples and pears. We don’t trust quite a few colleagues about the numbers. Many tricks and lies are played here, due to internal competition. This is a blue vs. white collar thing. (Respondent 15, Department Leader)

The status, that we are just one of a number of factories, we are still not acquainted to this. There are many lies about manufacturing costs in the other plants, this is the internal competition, but they are comparing apples and pears, it is incredible. In particular, the head of production uses this to blackmail me. (Respondent 41, Department Leader)

Leaders felt manipulated by the discussion. However, the majority of leaders were clearly passing the internal competition issues and thus the pressure on to their

subordinates, with devastating consequences for the dimensions of trust, integrity, motivation, climate, and overall perceived leadership culture.

Internal competition was one of the points most criticised in direct leader behaviour, as many workers understood that the leaders themselves did not buy into the issues, yet used arguments such as product relocation or cost comparisons as pressure means ('blackmailing' and 'threat scenarios') in order to make better numbers. This was very negatively perceived as being introduced by plant management (the top managers) in the name of the board, in order to create a new culture in the operation.

As a first summary of this section, the following observations can be made:

*Communications* from board and senior management into the plant are not fully developed, while the usage of corporate media and adoption of content is rather low. Most regulations concern work safety, costs, and performance. The main strategies of the factory are perceived as either hindering performance or not working. Corporate strategy, as it is perceived, is concerned with cutting costs, lowering quality, and establishing a culture of internal competition. NPD strategies do not lead to results, while eventually leading to the product (X) recall incident, which, jointly with the knowledge management initiative, was perceived as a disaster.

*Situational Context* The company is striving to develop new products and cheaper production processes. It is testing new materials and recipes, and the machines are running faster. There are quality vs. production speed issues, which fed into the product (X) critical incident. Performance measures are now ruling. Internal competition and poor forms of leadership shape the overall climate.

*Operational Issues* At the same time, many machines have to be repaired, because due to the higher speeds, the lines are now being run on crash (dropping the previous preventive maintenance). This has led to a perceived maintenance and repair disaster (not previously mentioned, but which was an issue for two thirds of the sample), and for which the leaders of the factory are also blamed.

An impression begins to emerge, namely that operational circumstances can be a very difficult field for the introduction of ethical leadership approaches. This is potentially valid for both researched factories, A (pilot research) and B (main study). While this section introduced the background and operational issues, the next section will look more generally at the leadership issues encountered.

## 6.4 Leadership Culture

The interviews resulted in more than 2000 statements concerning bad forms of leadership, across all leadership levels, and up to top leaders of the factory, who complained heavily about how they are being led by the board. Workers and leaders are unified in being very unhappy with the quality of the leadership or role

modelling encountered; both groups were similar in their perceptions regarding leadership qualities in the factory.

We have lots of leaders who shouldn't be allowed to become one. (Respondent 68, Machine Operator)

'Bad' leadership is not just perceived as being 'poor'; many reported incidents described leadership as being 'bad' by having negative and unethical qualities or characteristics.

Everything takes ages, there are no responsibilities, a lack of professionalism, no decisions. Instead, constantly changing priorities. Not even the head of factory/production decides. No one leads, despite the fiduciary duty that there should be some responsibility somewhere—look at the product (X) incident. . . . You cannot lead a company like that. We lack role models. The leaders here don't walk the talk. I miss the input from the department heads and leadership. There are no clear lines. I miss support. (Respondent 89, Shift Leader, Machine set-up)

The overall estimation concerning the character of the perceived and prevailing leadership experience (which was followed up upon in each interview) is shown below (see Fig. 6.3).

Around 20 % of all respondents classified their leaders as either 'destructive' or 'despotic'.

My shift leader is ok, but many aren't, and most department leaders are unable or unwilling to display proper leadership. We have had unhuman leadership for seven years, and the company won't act. Our managers are little seen—there is no contact with them—and the head of production has not been seen here in five months. (Respondent 13, Machine Operator)

There is no space here to list all the encountered issues with leadership. The following list is not exhaustive, but contains some of the items mentioned unprompted by most individuals and with almost exactly the same wording. Many more issues regarding leadership came up; those that touch on integrity, favouritism, and trust are shown.

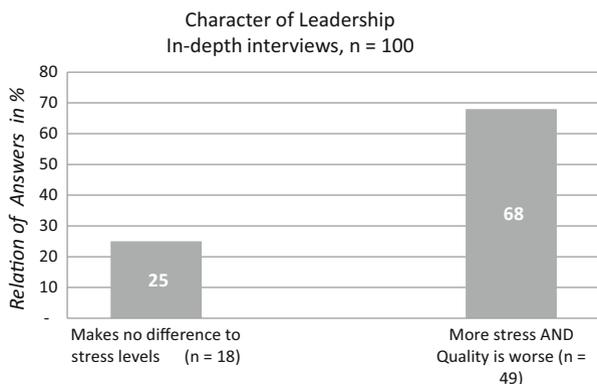


Fig. 6.3 Leadership characteristics



Fig. 6.4 Selected individual issues of bad leadership practice

As the above graph (see Fig. 6.4) depicts, all five interviewed plant leaders stated they do not have good shift leaders; many shift leaders themselves are of this opinion, and more than half of the workers. Knowing the leadership culture is bad, and not acting, intensifies the underlying problem.

It is vital to understand whether these forms of bad leadership are always the same across the entire plant. All the statements on negative leadership behaviour were analysed in order to create a ranking of the departments. This exercise should indicate whether there are contrasts. There had to be differences in the perception of leadership culture, and aggregating the data accordingly showed a more differentiated picture. In fact, there was a surprise that within the same factory, one department (machine group 4) clearly came out as being very positive about the way they were being led; they were optimistic, had hardly any criticisms, employees were mostly motivated, and they perceived the work climate or leadership ‘quality’ (a term often used by respondents) as positive. Figure 6.5 below depicts the ranking:

The data were distributed at both qualitative ends of the scale. The leaders of the technical office and maintenance departments clearly had issues with each other, which also affected overall leadership performance and co-operation.

While quality and optical control and the quality laboratory are higher on the ranking, it must also be noted that these three departments are a lesser subject to operational pressure and constant performance issues, and have more a supporting role consisting of much fewer different processes (products and materials change, but the work processes remain the same).

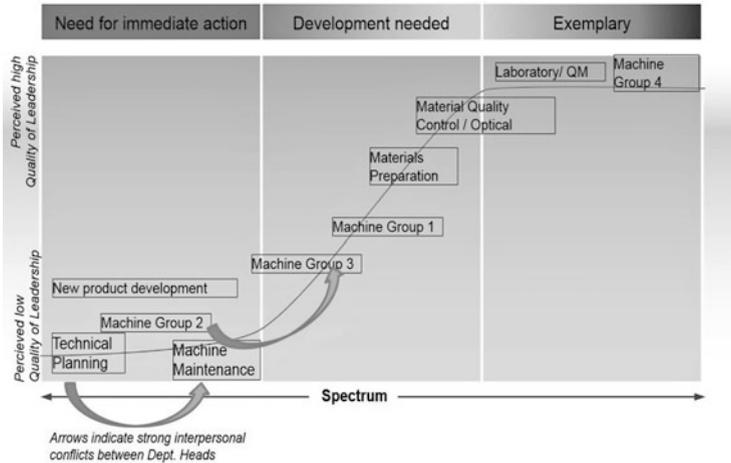


Fig. 6.5 Perceived leadership culture department ranking

The ranking was also grouped by a judgement of the respondents about whether their department needed leader development or even an intervention. Material preparation/mixing, for example, is the department where the most physical hard work is carried out, and historically the one known for shouting and rough manners. While some workers are not expecting improvements, many workers from this department still stated they wanted to have better and more capable leaders.

A clear surprise, suggesting that the department heads and their influence as role models do play a decisive role, even in difficult environments, was machine group 4, which topped the list with the highest perceived leadership culture. It seems a significant finding that within this factory, and despite an overall somewhat negative overall mood, *it is possible* to be perceived as a department with good leadership.

Across all the items discussed in this book, such as integrity, nepotism ('old boys' network'), fairness, trust etc., this department had the lowest complaints rate; it was the only manufacturing department that received good comments, signifying the quality of the data, which span the entire scale from very positive to very negative. Machine group 4 also had the lowest number of sick days. Many narrative statements also supported that good forms of leadership, which employees experience in this department, also support work climate and efficiency. For example, when a job is posted in machine group 4, the team gets many applications. When jobs in groups 1 or 3 or maintenance are internally posted, few apply, and usually no one applies internally for openings in machine group 2, so the jobs get filled with temporary staff, or they are externally posted. When additional staff ('jumpers') are assigned to machine group 4, they try to extend their stay. When they are assigned to machine group 2, they try to terminate the assignment quickly; when jumpers know upfront they are assigned to this group, chances are much higher the assignee

calls in sick, as was repeatedly reported. The work is the same everywhere; these reported behaviours are clearly related to the department heads and the local leadership climate.

While leadership characteristics within department 4 were perceived as good, the respondents from quality control, laboratory, optical control or machine group 4 were by no means satisfied with other issues in the factory. As they are all affected by a lack of co-operation, internal competition, or the general climate, the scores of other items and of how they are perceived were quite negative. Many respondents also stated that there are no clear criteria for promotions. Exemplary:

Good machine operators, who do not complain and do not report problems, are quickly becoming bad shift leaders, who can't communicate, can't lead, can't motivate, and can't solve problems. And who then don't have a good machine operator on their line, anymore. Why does this never stop? (Respondent 9, Deputy Department Leader)

One criterion for promotions though was named repeatedly: the one of belonging to the 'old boy's' network:

Many people here are recruited because of connections to the old boys, not due to expertise and capabilities. Very strange, how such people ever could get promoted. (Respondent 58, Worker, Shipping)

Promotions here are according to who you know, not what you know. Nose factors everywhere, all very unjust. (Respondent 29, Worker, Quality Control)

## 6.5 Favouritism and Nepotism

Two dimensions often mentioned in the narrative of past and present leadership behaviour were 'favouritism' and 'nepotism' (constantly referred to as the 'old boys' network', or in some cases as 'rope team' or 'amigos').

Old boys' cliques run the plant, it is really bad, and hard to get around that. (Respondent 45, Machine Operator)

Favouritism is a huge factor here. Many employees fear retaliation. Pet members get their favourite holidays, others do not. (Respondent 34, Machine Operator)

In this factory, preferential treatment is everywhere. Pet people get away with anything. Some shifts have like a jester's licence. (Respondent 66, Machine Operator)

Many of the respondents also used the term 'nose money' for the annual bonuses paid to production staff, while the term 'nose factor' was very often used to describe the various aspects of favouritism displayed by leaders.

Many people here are recruited or promoted because of connections and the nose factor to the old boys. Often they get better pay grades. Often these are then the shift leaders who get more and work next to nothing, do only the minimum necessary admin work, decide nothing. Also, some departments pay better than others, without any justification, just due to connections. In some shifts, we have three shift leaders and deputies—why? They all sit in the booth, twiddling their thumbs. The rest are commanded to work harder in order to make up, and hit the shift targets—who rules this mess? (Respondent 53, Shift Leader)

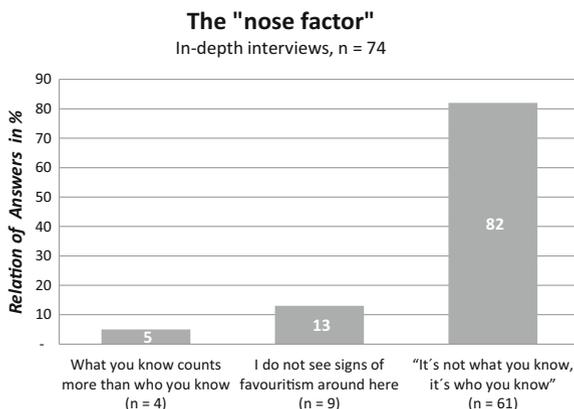
It seems notable that in the case of respondent 53, a shift leader is complaining about other shift leaders; this happened quite often. Several shifts can actually be identified from the data that have a bad reputation in regard to how they are being led, concerning productivity, quality, and co-operation when handing over to the next shift. For the workers in the sample, as for some deputy and shift leaders, favouritism and the ‘old boys’ syndrome’ were a huge concern, affecting fairness and justice, motivation, climate, and culture. While most respondents felt helpless, many wished that the board would intervene to break these connections. The workers’ council was mostly felt to be unhelpful, perceived as creating a similar ‘amigo’ network for pursuing their own interests.

Nepotism, favouritism, and the ‘old boys’ or ‘nose factor’ issues were often reported to have the form of “*it’s not what you know, it’s who you know*”. The totals are very strong in this category, as the issue was mentioned (without being followed up) in the narratives by three quarters of the sample (see Fig. 6.6 below).

This situation is clearly the opposite of ethical leadership principles. Asked, in what forms favouritism takes place, many describe that leaders have their favourite or ‘pet’ team members, who get the bonuses (‘nose money’), holidays on the dates they like, absence leave, less dirty work, less yelling, and are held less accountable for bad performance. The favourite people get away with much more than others, and it is hard to become a member of this ‘inner circle’. Passing the buck and scapegoating is also often experienced by the less favoured colleagues, who perceive they need to work harder, and still get lower payment grades, fewer promotions, and no bonuses. Qualifications, achievements, and efforts are rarely acknowledged in this plant, this group perceives. In some extreme cases, leaders were reported to be hiring neighbours, friends, and even relatives (which cannot be evaluated).

In other cases, active bribing was reported, usually by way of ‘exchanging favours’, for example granting holidays at short notice despite other schedules, so the ‘pet’ employee could get a cheaper travel offer, sometimes overthrowing the planning for others. For less favoured employees, the holiday schedule always seems ‘carved in stone’.

**Fig. 6.6** The ‘Nose Factor’



Half of the workers from the sample complained that getting holidays or a day off for visiting authorities, repairing cars, going to school events etc. was extremely difficult. According to many statements, the inequality in this issue is a huge concern for the rest of the workforce.

The bonus scheme was described repeatedly as “*always going to the same people no matter what and how often they have been ill*” or ‘no matter concerning work results’. Two workers (both working in the company for several years) mentioned they were not even aware there was a bonus scheme. Four workers reported that at the beginning, they were trying to get a bonus, but the money would always go to the same people and now they have stopped trying. Four other workers complained they had never received a bonus but their work results were equal, or better, than the ones who received it.

By contrast, see the following statement from machine group 4:

Our bonus scheme is based on annual talks and is distributed fairly, I think. Also, the same work means the same wage group, and the boss uses bonuses to compensate for any inequality in wage groups, so we think this is a great system. (Respondent 78, Machine Operator)

The entire bonus scheme and negotiating holidays were described as having nothing to do with performance, highly discretionary and opaque, unfair, unjust, based on connections (‘old boys’), and demotivating. In one case reported several times, a worker received a 14\$ (pre-tax) bonus as a “*sign of appreciation*” (34,w) from money obviously left over from a bonus pot after all the money had been distributed in the team. Stories and myths like these play a very important role for how corporate culture develops (Schein, 2004, 2009): small incidents with a drastic impact (Johnson & Scholes, 1997). Appreciation—or rather the lack thereof—generally proved to be a major topic in the factory.

## 6.6 Appreciation

Appreciation quickly became a fixed part of the interview. Again, leaders see their deficits, but do not translate the insight into action:

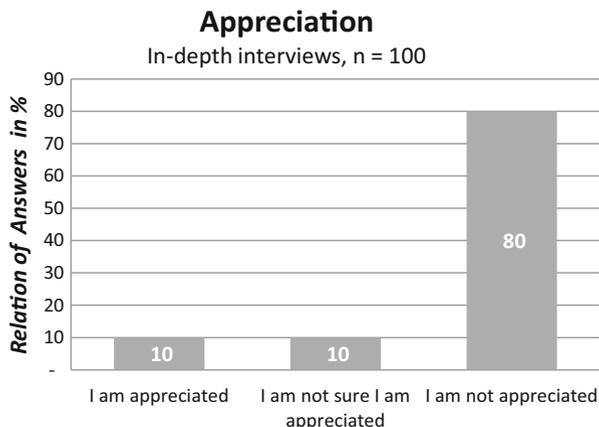
Appreciation is completely lacking. I should do this more myself, but often forget, the pressure is too high. (Respondent 9, Deputy Department Leader)

We ought to be more appreciative, but the constant frustrations with employees, the constant setbacks, are so frustrating, so we aren’t. (Respondent 15, Department Leader)

Very few respondents avoided talking about perceived appreciation, and those were specifically asked to share their views. The total results are shown below in Fig. 6.7, and again represent 80% of the sample.

Altogether, 55 individuals stated they are “never” appreciated. Half of the sample, including many leaders, described a “yelling” and “shouting” leadership culture. Also, half of all respondents describe a type of culture in which leaders

Fig. 6.7 Appreciation



are mostly absent and only show up in the case of problems, system crashes, or bad news.

Appreciation and appraisal are non-existent. We have a culture of yelling, shouting, problems everywhere, pressure, pressure, pressure... Actually, where I am now, being yelled at sometimes would even be good, as one feels one is not ignored. (Respondent 16, Machine Operator)

There were also many complaints that leaders were “*using pressure*” and “*written notices too much*”. Many workers with a short tenure, who had experienced other manufacturing plants before, were astonished about the level of poor/bad leadership, pressure, shouting, and use of written notices and prompt notes for very minor incidents. Workers who had received written notes for not following procedures blamed their shift leaders that they were given faulty instructions, but the shift leaders “*could not remember*” or “*were in denial*”. In one notable case, a shift leader gave a worker a written notice for not wearing safety glasses in a specific area, while not wearing safety glasses himself. The worker in question (82 w) complained, but the department head ignored this. Such incidents, as well as the product (X) recall and the 14\$ bonus, have a deep impact on the working climate and become part of the collective memory.

Employees felt they are treated as “*second class citizens*” by administrative staff. They are “*not greeted, not welcomed, and treated as a cost factor only*”, a feeling shared by workers and leaders alike. It was often described that crews working extraordinarily hard for 20 shifts in a row “*never received as much as a thank you*”; then, one fault happened, and they were “*being screamed at*”. It was also described several times and in nearly all departments that leaders were generally bad at following up the root causes of such faults, but were instead satisfied with blaming the operator, rather than looking into potential sources for the mistake. Most workers and leaders from quality assurance and control confirmed this and criticised the attitude of not developing people for preventing faults. “*We do not*

*analyse our faults, we just yell*” was a statement mentioned many times from workers (and leaders!) alike.

More than two thirds of the workers and half of the leaders do not feel recognised, involved, or listened to. They have resigned, stating that their efforts are neither welcomed nor thanked. Many workers and leaders do not feel valued and stated they miss feedback and respect.

Concerning integrity, the respondents also have a clear opinion: integrity was reported to be missing entirely in the plant.

## 6.7 Integrity

Integrity was not specifically asked about; it was important to see what role integrity played in the unprompted information. Is integrity something that employees look for? This can be confirmed: a lack of integrity emerged clearly from the data. ‘Integrity’ however was a term that not many workers and leaders did use; yet the role integrity was playing, was clearly described. Particularly, the former head of production was often related to such a behaviour.

Countless incidents were reported in which workers and leaders perceived a lack of integrity from their leaders.

Our leaders use sentences like “if you don’t like it here, go away”. They do not act on their talk. There is no trust, they are not honest, don’t mean what they say. They do not admit their own mistakes and misjudgements. (Respondent 88, Worker, Machine Set-up)

Altogether, more than 300 statements described bad/poor forms of leadership behaviour in the plant, which were related to lacking integrity. Items that received a lot of attention and that were reported many times as behaviour that lacks integrity or ethics are (among many others):

- *unjust criticism*
- *unfair remarks*
- *favouritism*
- *passing blame or scapegoating*
- *not admitting to things leaders have actually said or commanded*
- *withholding information*
- *actions based on ‘buddy-buddy’ and ‘old-boys’ systems*
- *lying, blaming, ignoring facts, ‘forgetting’*
- *passing on unjustified pressure*
- *shouting even when targets are met*
- *misuse of bonus money*
- *manipulation*
- *passing quality problems onto the next department*
- *lying about performance measures*
- *treating people badly and unjustly*
- *leading by blackmailing people and with written notices*

- *not admitting to mistakes and misjudgements*
- *unethical behaviour*
- *‘messenger gets shot’ syndrome*
- *leaders do not care and are unsupportive*
- *slow down decisions even when knowing the worker’s issue is urgent*
- *saying bad things about people (present and not present)*
- *hiding when needed*

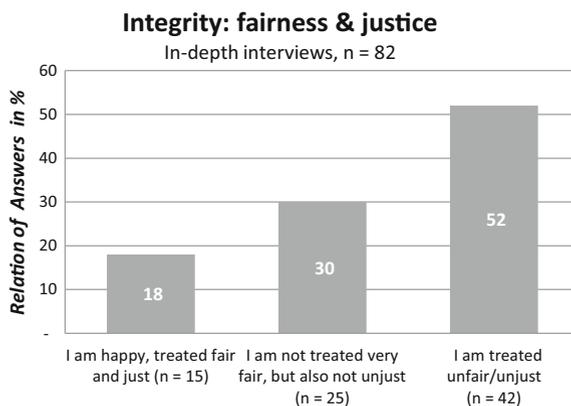
This list is not exhaustive, but it illustrates how many issues are perceived as relating to integrity. Themes such as ‘internal competition’ were also highly associated with a lack of integrity. They are also perceived as the strategic intent and will of the board that lacks integrity, not just strategic initiatives on behalf of their leaders.

Many of the statements concerning a lack of integrity described a leader behaviour that employees perceived as “*unfair*” or “*unjust*”. Again, this issue was not specifically asked about and responses were entirely unprompted. Almost two thirds of the workers and nearly two thirds of the leaders mentioned cases of unfair or unjust treatment, explicitly expressing that they perceive the leadership culture in the factory as unfair and unjust (see Fig. 6.8 below).

The distribution of this item across the sample is depicted, like so many others, in the department ranking given in Sect. 6.4. There is also a link with leaders who are involved in interpersonal conflict: these leaders take their team to war, showing signs of destructive behaviour and action, which harms overall efficiency. Some situations perceived as unfair, unjust, or lacking integrity arise out of this fight between senior leaders. This also has effects on the overall capability for co-operation between the departments ‘fighting’ each other.

Integrity, as the literature review revealed, is a difficult item to research, partly because such behaviour comes in so many guises. With the exception of the department leaders of machine group 4, of quality control, and of the quality laboratory, none of the leaders were described as being ethical or possessing integrity: 80 % of the leaders were described in a way which can be interpreted as

**Fig. 6.8** Integrity: fairness and justice



lacking integrity and 85 respondents raised these issues. In addition, more than a third of the leaders across all leadership levels was described as “*lying*”, which undermines the trust basis.

We don’t believe our leaders. They are all numbers, and the numbers aren’t true. (Respondent 24, Machine Operator)

Concerning ethical leadership or ethical behaviour, few of the interviews gave evidence that this form of leadership or behaviour exists in the factory. However, those few leaders that were described as “good” were not linked to unethical behaviour or one that is lacking integrity. Generally, the displayed lack of integrity has a deep impact on the dimension of trust in the organisation.

## 6.8 Trust

You cannot trust anymore. The company talks things bad. All goals are achieved, but bonuses kept short, below industry standards, despite mega-wins. The Christmas money is challenged, despite mega-successes. Internal competition is the big issue. We meet or overachieve all targets, but there is constant crisis talk—all highly implausible. (Respondent 20, Machine Operator)

Senior management is not trusted, they want to look good, on cost and behalf of us, and they now have quality problems, and look for excuses. They don’t take on responsibility. A lot of scapegoating is going on. (Respondent 16, Machine Operator)

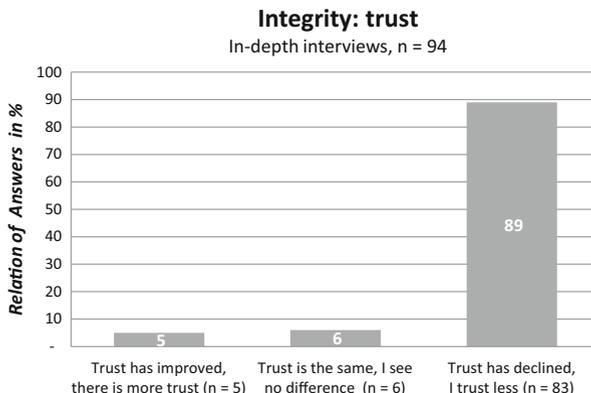
As these statements show, the lack of trust is a huge issue in the organisation. The lack of integrity and appreciation, the level of favouritism and nepotism, the blaming and shouting leadership culture, and internal competition are all costing trust. As could be shown, incidents such as the product (X) recall had the consequence that two thirds of the sample stated that they had lost faith that the management knows how to run the company. It became obvious from the first interviews that there were serious trust issues with the leadership in the plant. Trust was nearly non-existent.

Trust—there is none: we don’t trust our senior managers anymore. The old plant head was a tough cookie, but just. They are all gone. Our senior managers can’t handle the markets anymore. (Respondent 18, Shift Leader)

How much of this was due to older incidents, and has since been repaired, was unclear. As this was important information, a trend indicator was needed. All respondents who raised trust issues were asked how perceived trust was developing. The totals on the dimension of perceived trust are shown in Fig. 6.9 below:

The overall perceptions about fairness and trust form an image of the leadership culture, which is negative. Both culture and leadership culture have a negative influence on motivation, team spirit, and employee health. The next section will look at these main drivers of organisational culture in the factory.

Fig. 6.9 Integrity: trust



## 6.9 Organisational Culture and Leadership Culture

The organisational culture can be described as one undergoing change. There was a strategic change from being the ‘mother’ factory to becoming a number within a conglomerate group of factories. The introduction of internal competition played a very destructive role in the plant, because there was no buy-in that other plants were better, the financial numbers were believed to be manipulated, the key competences and success factors of the factory ignored, the role as trainer for the other plants ignored, and the competitive strength of the factory played down. This is the perception of the majority.

There has been a culture change, as the plant has moved from being ruled by engineers running a plant with an attached administration to being managed by the administration with controlling and financial performance thinking from the headquarters, governed by a board.

No one seems to care about quality anymore. Faults are not cared about anymore, the material is not the same, there is a culture change; people have real difficulties adjusting to the doctors’ ways. We now ship material, which has been barred for quality—unthinkable in the old days. But if we try to compete with China, we are going to be dead soon. (Respondent 28, Deputy Shift Leader)

Following Nitkin (2012), these are changes of the governance culture as well, as the company has developed from a medium-sized company to an international organisation with several thousand employees. There are legal changes, as the company urgently needed to pick up speed on recycling laws, environmental laws, and safety regulations. For shift leaders, this meant many changes in regard to work safety and process improvements. Their roles changed more and more into administrative and supervisory areas. There was training on this and how to hand over shifts; half of the shift leaders said this was useful, while the other half saw no improvements, because shifts were passing on problems to the next shift in order to not hurt their performance statistics. This will be discussed further below.

There was also a huge shift in the *philosophy* of the plant. Before, everything circled around quality; now, speed and making numbers were more important.

It came as a complete culture shock when our senior managers indicated we are too perfect and should accept more mistakes—which was particularly a problem for our understanding right after the product (X) recall incident. (Respondent 30, Department Leader)

That the workers should tolerate lower quality and more mistakes is perceived to be a clear violation of the core values of the plant, and most respondents also saw this as a flawed strategy. The plant had a world-class reputation for producing quality products that could last decades; the plant DNA saw the future of the company in new and advanced products, not in mass production. A race against low cost manufacturers in Asia, most workers and leaders alike believed, could not be won. While there were efforts in that direction, the NPD team, which became labelled the ‘doctors’, was felt to be a danger to the company rather than improving things.

It became transparent from the statements that all these changes aimed at changing the culture of the factory are unmanaged and unguided. A concrete concept and guide for implementation are either missing or unknown within the sample; as the sample includes the top managers of the plant, the impression remains that there is no concept.

Factories tend to have a rougher working climate and leadership culture. However, as Sects. 6.3 and 6.4 illustrate, the leadership culture here was described as much more negative in relation to a normal level in terms of yelling, shouting, pushing, pressing, stressing, and not communicating. This estimation was particularly strong from employees with a short tenure, in comparison with their former employers.

In comparison with other companies, the leadership culture here is much worse. Those who start here fresh want to run, seeing they’ve made a mistake; it is hard to believe with such a good company name. They are 20 years behind. Once the market gets better, many will run—there is not much in the area though, but worth moving house, rather than staying put here. (Respondent 36, Machine Operator)

The list of negative leadership behaviours is long, and is valid for the entire sample including the top plant leaders. With few exceptions (mostly from dept. 4), no one seems to be happy with the leadership culture in the factory.

Such a leadership culture will not have very positive effects on the climate, which is the next topic. Culture and climate were also affected by aspects of internal co-operation and the way departments try to improve their performance sheets at the cost of neighbouring departments (see Sect. 6.13).

## 6.10 Corporate and Work Climate

Very often, respondents described the work climate as:

- *impersonal*
- *losing identification with the company*
- *an atmosphere where no one is greeted or asked questions*

- *some shifts support each other, while some fight each other*
- *one of open dislike*
- *declining teamwork*
- *bad and chaotic planning*
- *bad leadership*
- *too emotional and usually heated*
- *blaming*
- *based on a lost pride*
- *constant pressure*
- *internal competition*
- *too many colleagues ‘pulling the plug’ by calling in sick*
- *leaders warring each other*
- *an atmosphere “where workers are the mother of all problems”*

Again, this is a selection of many other statements describing the climate. The estimations and judgments from the in-depth interviews regarding leadership and work climate clearly painted a negative picture:

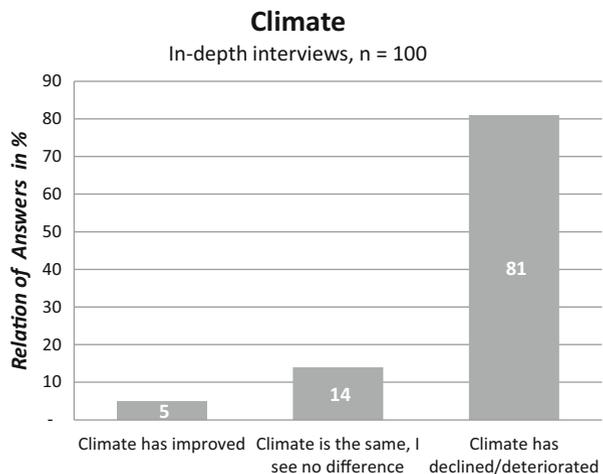
Everyone complains, mechanics and especially fork lift drivers, you need to be on your knees to get something done. They are an unfriendly bunch, and the climate is consistently bad. (Respondent 77, Machine Operator)

Most respondents referred to the climate in their narratives like the following:

Many unfriendly colleagues. Climate is not good. The climate gets rougher all the time, pressure always rising. (Respondent 90, Worker, Machine Maintenance)

In a few cases where nothing was mentioned, a specific question was raised. Based on more than 300 statements on the work and leadership climate, the trend could be established. The totals for the dimension on the development of climate are shown in Fig. 6.10 below:

**Fig. 6.10** Climate



Very few respondents experience a positive work climate; the departments those respondents work in can be found at the upper end of the ranking in Sect. 6.4. Most respondents sense that the organisation has a declining climate, leading to a downward spiral:

Climate is constantly declining, chaos, too much pressure, many new projects while the legacies are not cared for, and war on waste. Climate went 100% into the gutter.” (Respondent 86, Worker, Machine Maintenance)

The degree to which this influences their overall well-being is very strong and can be distilled out of the many statements in which employees describe how hurt they are by this experience. Starting from this position, the implementation of ethical leadership would be very difficult, particularly with the same leaders and management structure. Almost every second respondent stated (unprompted) having serious issues with the credibility of the leaders, signifying a clear lack of suitable role models. The next section evaluates the effects of the work and leadership climate on the dimension of team spirit.

## 6.11 Team Spirit

A functioning “we” feeling and a sense of belonging are important factors for how efficient and effective teams perform, how they share information, and how they cooperate. Employee motivation is also fuelled by how well colleagues are getting along and how satisfied they are with their management. Traces of a functioning ‘we-feeling’ could be found in only one statement:

Our shift is special—from five shifts, we are the only one who collectively passes on jobs and work, so we all work equally. And for the real hard jobs, we each do this in turn, so we all have a fair share. (Respondent 99, Worker, Material Preparation)

Most respondents, however, expressed many times during various stages of the interviews how strongly they perceived the loss of team and the ‘we’ feeling:

The “we” feeling is great within team, lousy in the factory as a whole. This feeling is still strong, getting better in this shift, but in many places it has gotten a lot worse. (Respondent 6, Deputy Shift Leader)

Group belonging is very important for overall employee well-being; a unified team acts differently when faced with an incapable or manipulative leader. The totals for the dimension of team spirit and “we” feeling are in Fig. 6.11 below.

Having lost this unity and team spirit as an important backing has had devastating results on employee motivation.

Not even we have the team feeling anymore, it’s all gone. In former times, we had this team spirit and more appreciation. (Respondent 95, Worker, Machine Maintenance)

Togetherness is non-existent anymore, too much pressure, one against the other, as a result. The board ruined that, doesn’t want it. Office people don’t greet, deem themselves better, do not respect us, but we earn the money! Lost appreciation for our tradition and in the form of doctors we ruin our culture. (Respondent 61, Worker, Quality Control)

**Fig. 6.11** Team spirit and “We”-feeling



Among the leaders, this was seen slightly different. Shift leaders were moaning the loss of ‘team spirit’ more often, but the higher the rank, leaders, as they have more responsibility and are measured for goal-attainment, are blaming worker’s attitudes. Typical statements are: “*Stress within the team is normal, as we have no good people*” (1 l), “*people are too soft, complain too much*” (2 l), workers “*just don’t care*” and are “*too demanding*” (14 l), or are influenced by a “*general blue vs. white collar thing*” (4 l, 18 l, 38 l, 47 l, 52 l).

It was mentioned several times that workers “*already like to call in sick*” when faced with tiniest problems (2 l, 30 l, 39 l, 88 l, 93 l).

It is to be expected, with leaders holding such views, that the motivation in the factory is mirroring such attitudes. However, leaders, as will be shown in the following section, share exactly the same degree of demotivation in the factory.

## 6.12 Employee Motivation

Repeatedly, this researcher experienced moments of astonishment when, as in the following statements, leaders described situations in a much-distanced way, as if they had nothing to do with the situation and as if it was not their role to care about these circumstances:

It’s the old boys. Absolutely demotivating. Frustrating. Some shifts are in a real bad mood. Shift handover is quite bad despite the training. (Respondent 53, Shift-Leader)

Formerly, we all went the extra mile, cared, and people were held responsible. All that is completely gone. (Respondent 42, Department Leader)

Our head of production has his special controls, which preferably take place during football championship final games. It brews everywhere, an unhealthy mixture of a lack of trust and culture and team spirit, there is a lot of unrest. (Respondent 41, Department Leader)

The dimension of motivation was one of those areas. Many respondents seem to feel victimised by the circumstances, including many leaders who normally have the levers in their hand to change the situation. As can be seen in the examples of quality control, the quality laboratory, and machine group 4, it is possible to behave differently. There are clear differences in the leadership cultures at a departmental level. The described behaviour has an impact on overall motivation. Respondents who said they are motivated mostly had constraints:

My motivation is good! I want to give my best, although I could do with more support from leaders. (Respondent 55, Machine Operator)

It is normally difficult for respondents to admit own personal feelings like demotivation (Helfferich 2011; Kelle & Kluge, 2010; Kvale & Brinkmann, 2009). However, two thirds of the sample across all levels stated that this was the case (see Fig. 6.12 below):

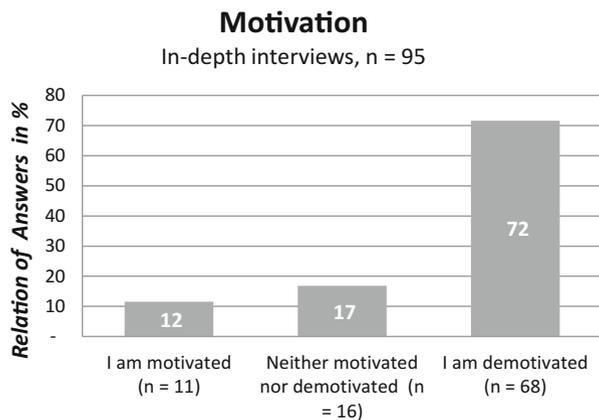
Most motivated respondents came from dept. 4, and a shift which had a good and motivated leader. The low motivation in the factory negatively affects work results, efficacy, productivity, and commitment, as all respondents made clear. The dimension of commitment was not specifically looked at, but nearly the entire sample and across all levels stated, that commitment has diminished greatly, and “destructive actions” prevail. Most workers though claim that pride in their work and their capabilities still keep them going, but the joy of work has gone, and performance and pride have been repeatedly described as being not appreciated:

Engagement is not wanted. We get entirely demotivated by our growing targets. But even if you are 30% above target performance this is not honoured; targets are just raised. Personally, I am really demotivated and constantly angry. (Respondent 96, worker)

Consequently, pride and motivation have often been described as being “wasted on the leaders”—“casting pearls before swine”, as respondent 80, a dept. shift leader, put it.

The data strongly raises the suspicion that the factory could be much more efficient if motivation, appreciation, trust, and team spirit could be improved as

Fig. 6.12 Motivation



well as issues such as internal competition and NPD handled differently. However, there are two more areas of concern, which are deeply affected by the dominant leadership culture in the plant: willingness to cooperate and how the perceived leadership affects the health of employees. Both areas are analysed in turn in the next two sections.

### 6.13 Implications for Co-Operation

Co-operation was described as being constantly declining, at all levels and between all departments. Specific issues like waste control were adding to the perceived difficulties:

Waste is a constant topic; monthly figures never match, all pass the buck, even hide waste. There is almost a criminal energy to be seen. (Respondent 35, Shift Leader)

Some of the problems had to do with bad planning processes, where the blame was put on turf wars, new processes, and too many administrators such as technical offices who now guide purchasing, rather than engineers. It was mentioned several times that “*there are now much more planners than people actually working*” (1 l, 48 w, 93 w) an issue raised particularly with workers from engineering and maintenance (85 w, 86 w, 87 w, 88 w, 89 w, 90 w, 92 w, 94 w). The narrative contained several cases of a lack of co-operation between technical planning, corporate purchasing, and maintenance teams. Generally, planning processes in the factory were described as “*catastrophic*” and “*deteriorating*” despite the “*growing number of planners*”, using several critical incident narratives, which shape the cultural fabric.

Performance measurements resulting in shift ‘selfishness’ was mentioned many times as a source for a lack of co-operation:

The war of the shifts gets worse. This is a ‘we don’t care, let the others do it’ mentality. Starting questionable or dirty jobs right before shift end and handing over to the next shift, so they don’t have to clean the equipment, and we eventually take a faulty product, games like that. And hiding quality problems or waste, so they don’t get included in their performance sheets. (Respondent 45, Machine Operator)

Most of these existing issues were related to cost thinking and performance measurements.

Co-operation is not good anymore. We are hindered by performance measures. (Respondent 31, Deputy Shift Leader)

Today, we all fight each other in the race for who produces more—or has less bad quality. There is no feeling of helping one another anymore, that is lost. Then we have departments who fight each other to death, taking entire teams to that front—but that could be solved by firing the heads. What we can’t solve is that when we make a mistake, we hush it up instead of reporting, so we don’t get it in our books. Hoping, the next department doesn’t see, and when they have processed the stuff, the last department has less a chance of seeing it. And when they process it, it either can’t be seen at all, or optical quality control still catches it. This is so much the opposite of teamwork. Welcome to the world of finance guys running the factory by performance figures.

And of course this way we have the most expensive end-product waste, and much more of it compared with if we would all just cooperate. (Respondent 50, Worker, Quality Control)

The role of performance measurement and how this form of management and control was to change the culture within the factory was perceived as destroying co-operation, while supporting ‘Machiavellianism’, ‘egocentrism’, and ‘self-interest’. For example, respondents from all departments dealing with waste reporting were apparently faking numbers or ‘passing the buck’.

The same happens with product quality. While quality management and control procedures are still in place, even quality controllers are unsure what is meant by the management directive that they ought to be ‘more tolerant’. It seems the culture clash of ‘quality against quantity’ leaves the workforce, including quality controllers, clueless. This results in endless friction between the departments.

Altogether, three quarters of the sample (workers and leaders alike) said that co-operation between the various departments had deteriorated.

If the plant was based on integrity, ethical leadership, and an ethical climate, arguably the productivity of the plant would be higher. It seems significant that a third of the more senior leaders complained about the “*unproductive*” workforce, again in much distanced way without relating this to their own role as a leader.

## 6.14 Poor and Bad Leadership Makes Ill

Factory managers and the workers’ council both believed that employee illness and absence days for the plant were higher than the industry average was. There was a belief held by some plant managers, fuelled by a discussion started by the workers’ council, that the new shift system was designed in a way that recovery periods for shift workers were too short. The workers’ council was carrying this issue forward as their current most important and argumentative point on their agenda. Both management and the council wanted to learn more and so the issue of the ‘new shift system’ was included in the interviews. This item was hardly mentioned unprompted, which suggests that it was not a pressing issue. Altogether, 68 respondents answered the question regarding the new shift system; 30 respondents in the sample worked normal day shift hours, for whom this was irrelevant. Contrary to the expectations of the workers’ council, which had pushed the issue strongly as being a great source of dissatisfaction, this was a non-issue for workers and shift-leaders. Just four respondents said that the old system was better, eight saw no difference, and 55 respondents liked the new system better.

During many interviews, respondents spoke about ergonomic issues, lifting aids, and hard physical work in the plant, sometimes for hours in the region of 45 °C. In quite a few cases, this resulted in back, knee, and neck problems and mostly lumbago. However, this was seen as typical of industrial work, and it was also positively acknowledged that the company had invested in automated material transport, lifting aids, and acclimatisation technology.

What came unexpected was that many respondents saw a strong relation between the bad forms of leadership they were experiencing and their personal health:

*“Bad leadership is making us ill.”* (Respondents 34, 62, 75, 96; similar 63, 65, 76, 82, 98, workers)

One operational governance issue that often came up in the interviews was the \$55 bonus employees received if they did not call in ill for a certain period of time. Altogether, 43 respondents brought this issue up unprompted, most of them calling the bonus a *“ridiculous”* incentive. The few cases without an opinion regarding this bonus were asked what they thought, and only two felt this was a good instrument. Eight respondents said independent of each other, mirroring common thinking in the factory, that *“it would be much cheaper to call in sick and save the commuting fuel; that would earn you more than 55 bucks.”*

Only one respondent thought this was a good initiative; almost all the others thought of this as being manipulative and highly unethical: *“If you are sick, you are sick; you don’t go to work bribed by money”* (76 w) is a typical statement. However, many workers stated it was impossible to not call in sick, as their leaders would make them ill:

Many illnesses are directly linked with the bad leadership in the departments. Workload, pressure, and bad leadership are the reasons for illness. (Respondent 34, Machine Operator)

I often have headaches, and I am taking pills, and I fear getting used to them. The pressure makes me ill. I became detached from the company. (Respondent 10, Machine Operator)

Many people are ill because of their bad shift leaders. Most illnesses are clearly from the unhuman way how people are handled. (Respondent 17, Shift Leader)

People are more ill now because they are pressed, not appreciated, yelled at. (Respondent 19, Shift Leader)

So are employees just unhappy with their leaders, calling in sick rather than going to work, or is their health actually affected by the way they encounter their leaders? Several groups emerged from the data:

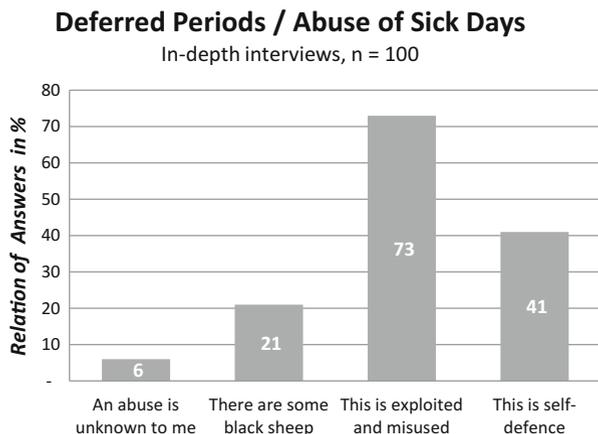
- More than 20 respondents claimed that a mixture of all the aspects of bad leadership practices discussed in this chapter was a reason that their health was negatively affected and they became ‘ill’.
- More than a third of the sample drew direct links to their leaders, accusing their ‘bad leadership’ as a source of personal illness. These respondents actually came mostly from the departments that had the lowest ranking in good leadership (see Sect. 6.4).
- A group of 20 % stated that colleagues who called in sick or that were certified as unfit for work were black sheep, abusing the system.
- Another group of 15 % stated that the company did indeed invest in lifting aids, material flow systems, acclimatisation, and ventilation, which had improved over the past decade. This group wondered why despite these improvements more and more people still fall ill or are absent so often, and blamed bad leadership, pressure, stress, and a bad climate as underlying causes.

Under German labour law, workers can be off work for 2 calendar days, calling in sick, before a sick certificate issued by a physician was needed. Employees enjoy wage continuation for the first 2 days without a certificate, and continuation up to 6 weeks with a certificate; in such documented cases the health insurance institutions repay the employers (Hart, 2000; Weiss & Schmidt, 2008). In such a system, corporate culture and climate play a decisive role; ‘healthy’ organisations do not have problems with high illness rates. Despite wage continuation, workers refer to this period of 2 days as ‘deferred’. The interviewer asked whether the ‘deferred periods’ were abused. Altogether, 73 % of the respondents believed that this was the case. However, many saw that this was happening for a good reason. The narrative often discussed why people were getting ill so unproportionally often in this plant. The argument of 41 respondents was that calling in sick to make use of the deferred period was felt to be “*self-defence*” against abusive forms of leadership, and was used as a last resort. Of those respondents 22 said “*they know colleagues doing it*”, eventually signifying a higher estimated number of unreported cases, as only 19 respondents of this group openly admitted to exploiting the system themselves, blaming the different forms of bad leadership for this. The totals on the dimension of deferred periods are shown in Fig. 6.13 below:

Respondents gave many reasons why they felt the climate is making them ill:

- Constant and growing pressure
- Internal competition
- War with colleagues
- Constant yelling and shouting
- No trust
- Lack of integrity
- Favouritism
- The old boys’ network
- Shifts not getting along with each other
- Uncaring environment
- No protection from ‘bad’ leaders by top management

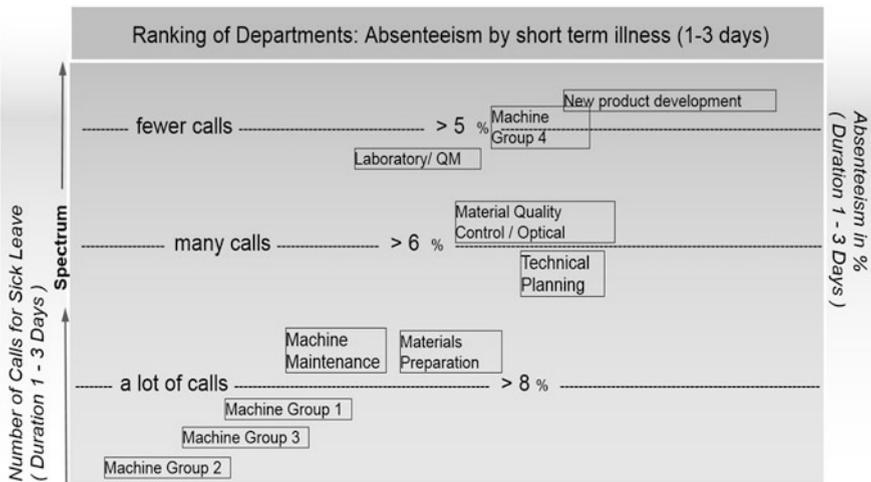
Fig. 6.13 Deferred periods



However, the tendency of directly blaming bad leadership behaviour as a reason for getting ill seems a new phenomenon. Does bad leadership or a lack of integrity lead to higher absenteeism? It seems that wage continuation is at least inviting to call in sick, as no financial consequences are involved; however, as drawn from the interview data, such an abuse is usually noticed, and it comes at a cost, damaging the team feeling as others have to cover and it also affects individual reputation.

The researched company's HR department made aggregated data available; owing to data protection and the sensitivity of the information, this was agreed with the workers' council. The data contained no personal information and comprised 'department' and 'number of illnesses' that lasted 1–3 days for the past 12 months. All known long-term illnesses were removed. The HR department checked with data from the available health insurance companies and removed all health issues related to back problems, knee injuries, lumbago, and other illnesses clearly unrelated to 'psychological' or other short illness absence leave such as influenza. This researcher then processed the data in order to match the department structure used in this study.

The findings correlated with the department ranking (Sect. 6.4). The only exception was the NPD group, highly educated professionals who normally work in a laboratory environment. The industry average is defined by an absenteeism level of 4%, according to the HR department of the company. Figure 6.14 below is another department ranking, in this case based on absenteeism figures without a medical certificate.



**Fig. 6.14** Department ranking by absenteeism and incoming calls for sick leave. The underlying data for the creation of this ranking has been collated from statements of the respondents, how often they or their colleagues were calling in sick for periods of 1–3 days. This data has been triangulated with aggregated data obtained from the HR department and as described above, this data originated from the top health insurers of the workforce and was cleaned from long term illnesses and other factors

This ranking is surprisingly similar to the ranking concerning bad leadership and seems to reflect the rate of complaints from the interviews. The more respondents complain about bad forms of leadership, pressure, and internal competition, the higher is the likelihood that they are turning to ‘self-defence’ and calling in sick. Eventually, the health is affected. At least, there is a suspicion that bad leadership and bad forms of a working climate undermine resilience.

With the existing data it is not possible to state whether the employees are really ‘ill’ or if they are escaping seemingly unbearable working conditions. Shift workers have stressful work conditions anyway, and if there is a tendency that calling in sick is self-defence against bad forms of leadership, this might increase, as more and more workers are seeing colleagues doing it.

However, in the sample, not only workers, but also leaders tend to call in sick if they are annoyed too much, and their resilience levels shrink. This goes across all age and job tenure cohorts. Again, leaders seem somehow detached when describing the phenomena; they describe the issues, yet without any reference to potential solutions or changes:

I see a vicious cycle here in the corporation: climate goes down, motivation goes down, soul gets ill. (Respondent 37, Department Leader)

Regardless of whether it is easy to abuse the system (on the cost of personal reputation) or whether employees act in ‘self-defence’ (also on the cost of their reputation), the findings state that the departments with the most leadership problems also experience the highest illness and absenteeism rates, and this is a coincidence further research ought to look at.

The ‘normal’ absenteeism rate can easily more than double and in some cases triple this way, and as the findings of this qualitative research seem to signify, there is some evidence that bad leadership causes illness, if only by degrading resilience. This observation closes the analyses from the respondent data.

The next section will give a summary of the findings, before they and their implications are discussed and commented on.

## 6.15 Summary

In Chap. 3, the structure was developed which was used to analyse the complexities of the production in this company. It was found that the situational context and many operational aspects were ploughing under any leadership concepts that eventually existed, including learning effects from seminars, where shift leaders learned how to hand over shifts. Situational context is often overlooked in leadership studies, but seemingly plays a significant role. Leadership approaches and concepts need to be strong enough to stand a chance of becoming implemented in such an operational context. As an idea on paper, or enhanced with a little training, a code of practice, and a few announcements, many policies will potentially get ignored.

Central management does play a contextual role in the factory, such as corporate and board strategic initiatives (e.g. the introduction of corporate structures, a board, globalisation) in the following areas:

- Corporate purchasing
- Corporate planning
- Cost control and internal competition
- The NPD strategy
- Knowledge management

These areas are affecting the senior leaders of the factory, who translate these policies into their own form of managing people, which then has a strong impact on the employees. In particular, this takes the form of passing on pressure, for example concerning waste control, machine speed, quality, internal competition, and cost performance.

The translation of these processes into operational activities, however, is not perceived as being very successful. The introduction of NPD and a new quality philosophy were handled in a way that resulted in a culture clash between the old and the new (conglomerate) ways as well as clash between ‘blue’ and ‘white’ collar workers within the factory. Generally, how the plant is governed was perceived as being rather ineffective, if not poor, and this can be said for both workers and leaders. One main reason for this seems to be that the necessary change management is not supported. In addition, corporate communications are dysfunctional.

With a few exceptions, leaders know what is wrong, but feel victimised and act as if they have nothing to do with the overall situation.

Very few leaders are seen to adopt better leadership styles in their own realm and circle of influence. Where this is the case, the results are very different. Obviously, middle managers can have a strong influence as role models, even in a ‘hostile’ environment. Overall leadership culture is perceived mostly as ‘bad’ and ‘poor’ or ‘low quality’; a culture far from ethical or transformational, which would help address the cultural change. The leadership culture is confronted with having legacy problems such as nepotism and is blamed for favouritism. It is also characterised as not being present and communicating enough, having a clear lack of integrity and a lack of trust, not only in supervisors and plant leaders, but also in the entire corporation. This context has formed the corporate culture, which is torn between new efficiency and a history of being quality leaders. Procedural drawbacks like the product (X) development add to the loss in trust. In the current work climate, team spirit has been lost, employee dissatisfaction is very high, and motivation quite low. The leadership climate is described as one of yelling, blackmailing and pressing, to name a few of many more negative issues. Appraisal, a very basic form of positive leadership behaviour, is almost completely missing.

This leadership climate has also lowered co-operation between various departments, further fuelled by performance management rules, on the one hand, and interpersonal conflicts, on the other. More than a third of the respondents asked a very relevant question in their narratives: *Who rules here?*

Many respondents wished the board would look more into the leadership issues they were experiencing. In other words, if middle management does not lead well, senior managers must interfere and step in.

Finally, it appears that the many forms of bad leadership styles are resulting in absenteeism figures that are far above industry average. Employees stated that they are less committed, feel mistreated, and that their bosses make them generally 'ill'.

The entire situation leaves the impression that the factory is perhaps too far away from a leadership concept such as ethical leadership. However, many of the components of ethical leadership were described as missing by the respondents. The analysis concludes that ethical leadership concepts could contribute greatly to addressing the situation, would enhance efficacy, and would improve employee well-being. While transformational leadership theory would perhaps look more at the efficiency gains and contribution to the company itself, ethical leadership conforms more to the overarching goals of business ethics and this would strengthen the factory for all stakeholders.

In order to understand whether this is beneficial to the organisation and how this could eventually be implemented, the findings need to be discussed in relation to the underlying theory from the literature as well as regarding how this relates to the research framework model developed in Chap. 3. In addition, new and emerging topics from the findings will need to be discussed in light of recent research. Following this discussion, the focus then shifts towards the concluding Chap. 8, where the limitations of this research study are summarised and the implications of the findings for management practice and for further research discussed.

## Chapter 7

# Discussion of the Findings: The Absence of Unethical Leadership Is Already a Success

The purpose of this chapter is to critically discuss the findings in the light of the theory, to evaluate the applied research frameworks, and to prepare the ground to answer the original research questions. There are also some new emerging themes in the findings which need to be discussed. The chapter links back the findings to the various theories from the diverse bodies of literature concerning ethical leadership, culture and climate, implementation, and change. This chapter itself will discuss the findings of the study in three parts:

1. Section 7.1 gives a brief summary of how the findings relate to the main research theories outlined in the literature review. The structure of this section follows the sequence of topics of the literature review.
2. Section 7.2 will revisit the research framework model, which integrated the needed *transformational forces* from the fields of change, culture/climate, and leadership.
3. In Sect. 7.3, new and emerging aspects from the findings that were not covered in the literature review and which play a role for answering the research questions are discussed in the light of recent research.

The findings did reveal that only few traces of leadership issues associated with ethical leadership could be identified in the researched factory. However, a leadership climate based on moral values, integrity, and role models who act accordingly would bring about many benefits in an organisation that is in constant flux, as the example of dept. 4 illustrated. In the broadest sense, the absence of unethical behaviour can already be seen as bearing positive leadership characteristics, confirming Parry and Proctor-Thomson (2002) and White and Lean (2008). Reverting to the definition of Brown, Treviño, and Harrison (2005: 120), who define ethical leadership as:

‘The demonstration of normatively appropriate conduct through personal action and interpersonal relationships, and promotion of such conduct among followers through two-way communication, reinforcement and decision making processes.’

It can be stated, that at least in one department, these criteria were met. This department was the only one that evaluated their leaders positively. Also, as an outcome of this study, the above definition of ethical leadership can be confirmed as being adequate. However, it would require a considerable remedial effort to bring all leaders in this company to a level that would meet this definition. Implementing ethical leadership, however, seems possible, as in traces (department 4) it does exist. Here, one individual was able to influence his entire surrounding. This is noteworthy, looking at the general complaints level in the researched factory, the dissatisfaction with the leaders, the negative work and leadership climate and the high level of demotivation. It also signifies that one middle manager can make a huge difference. Yet implementing such a programme would require a much higher involvement of both board and top management of the plant, and would require a critical mass of leaders.

It is noticeable, at least in the plant researched here, how much the absence of criteria like normative conduct, integrity, trust or fair treatment of employees, which are typically associated with ethical leadership, can contribute to a low employee motivation and a bad climate.

## **7.1 Findings in the Light of the Literature Review Discussion**

Obviously and as partly expected, highly operational organisations such as factories are not an environment in which ethical leadership is naturally at home or is implemented easily. Only few traces of the concepts of ethical leadership could be found in the leadership culture of the involved factory. The findings allow insights into a leadership culture with a clear lack of positive role modelling and ethical leadership.

This book concludes that massive change efforts are needed to restore trust and positive leadership behaviours in the factory. Most researchers are unified in their view that active change management is needed in order to secure the implementation of processes (see Sect. 3.3.3). Communicating values and processes or publishing codes of ethics is by no means sufficient to influence the organisational culture and the resulting climate. This, as the data show, is especially fruitless if corporate and personal communications are not effectively used, are full of mixed messages or their use is even hindered, as was the case in this factory. Training can be useful; however, organisations will need to invest into learning success control, ensuring that the learning effects are actually applied. Organising trainings, as many studies suggest (see Sect. 3.3), is by no means transformational enough in order to change the leadership culture or climate (cf. Burke & Litwin, 1992). The actual implementation of any programme is based on leadership; if leaders ignore intended changes, implementation will slowly come to a halt.

Ethical leadership theories concerning how important change, real transformation, integrity and role modelling are for the support of the implementation of a more ethical organisation seem to be valid in the face of this study. This is a holistic view, which is an overlooked field of influence in the literature. The entire CSR literature, for example, is focusing only on process, not on the influence of middle managers. Change is not commanded, communicated, or achieved with codes of ethics, processes, or training sessions. Such behavioural changes require a joint effort.

The board and senior management of this company believed the main plant to be exemplary, highly professional, and based on corporate values. The findings came as a total surprise. However, the same management had started change processes that were unmanaged and uncontrolled.

The following paragraphs will discuss the findings looking at theories discussed in the literature review.

### ***7.1.1 Morale and Integrity***

It was noticeable that many employees in the factory were defending the better quality of their products and would not want to ship 'bad' product to customers. However, driven by rigorous performance measures and internal competition, many employees lied about measures, waste, or were passing on bad products to the next department, or problematic jobs to the next shift. The moral disposition of a majority of the workforce was overruled by this form of management and the context as interpreted by leaders of all levels. The absence of unethical behaviour can be perceived as integrity (Parry & Proctor-Thomson, 2002): This can be affirmed. Many leaders have not been described as 'good' leaders, but word-deed alignment and the absence of negative leadership behaviour was acknowledged, and these (few) leaders were described not necessarily as leading with 'integrity', but as leading 'fair', 'just' and 'honest'.

Moral cognition of leaders and insights of wrong-doing are visible in the factory, but very few traces (dept. 4) of moral agency (Hannah, Avolio, & May, 2011; Loviscky, Treviño, & Jacobs, 2007) could be identified. These authors also refer to the needed 'capacity' for the intention to behave morally, and the social learning aspect. While middle managers can decide to build this capacity, enhancing social learning and influence within their realm of leadership, most leaders were not using their sphere of influence. The context and how it formed the overall leadership climate and culture in the factory was stronger than any moral disposition or capacity.

Integrity improves organisational effectiveness (Parry & Proctor-Thomson, 2002), and is one of the traits most cited as required for effective leadership (Mihelic, Lipicnik, & Tekavcic, 2010): The overall bad quality of leadership is clearly costing efficiency and effectiveness in this organisation. Obviously, integrity is much needed as a foundation of a leadership climate, as a lack of integrity

was the basis for many cases of reported bad leadership. A company wishing to address leadership problems by implementing ethical leadership should first seek to restore an overall integrity level as a basis for trust before starting anything else. This primary research depicts what happens with the level of trust in an organisation when leadership is left to handle mere operational issues, accompanied by a 'leading by shouting' climate.

The concern that operational business environments might not provide a mature and moral social learning environment, nor the time for the needed self-reflexivity (Rozuel & Kakabadse, 2010) can be affirmed.

It can also be affirmed that managers who are moral persons but are acting as weak moral managers will be perceived as neutral or indifferent leaders (Treviño, Hartman, & Brown, 2000) at best. However, as a weak moral manager will be leaving the path of word-deed alignment soon, or will be seen passing on pressure despite other personal beliefs, such weak managers will be perceived as 'poor' or 'bad' leaders rather quickly, as the interviews show. Such leaders quickly lose integrity and trust.

Integrity as a needed source for trust (Ingenhoff & Sommer, 2010; Ponnu & Tennakoon, 2009; van den Akker, Heres, Lasthuizen, & Six, 2009; Wang & Hsieh, 2014): the absence of integrity as demonstrated in this study clearly led to low levels of trust, and low levels of team spirit and motivation, also limiting efficiency. The importance of role modelling for influencing a leadership culture could also be demonstrated. With the exception of the leader of department 4, who was clearly perceived as a positive role model, the only other role model, though also negatively described, was the old head of factory, wished back into powers by a number of respondents. Gordon and Gilley (2012) have described fairness and freedom from fear as a needed basis for trust, which seems very relevant; the absence of these characteristics explains the low level of trust in the factory.

Trust as a necessary basis for collaboration and organisational commitment (Ikonen & Savolainen, 2013): The massive loss of trust in the leaders and even the board is having a huge negative effect on collaboration, commitment, climate and motivation. Trust-building interventions, appreciation and clarity and positive role models are needed to turn this situation around.

### ***7.1.2 The Evolution of Ethical Leadership***

Clearly, at first sight, the concrete findings from the operational environment of a factory have little in common with the main ethical leadership concepts. The majority of the leaders in the factory can be described as task-oriented and transactional, yet lacking the positive associations ascribed to this style by Kanungo (2001). Leadership research tends to value transformational leadership as contributing more to efficacy and to the readiness to change. However, if the situational context overrules leadership and management approaches, both transactional and transformational leaders can turn negative, relying on use of sanctions, formal

authority, self-interest, ends justify means (transactional leaders), a distant relationship, the loss of visions and principles, and duty becomes a pressure or threat (transactional leadership). Little research is available on these aspects.

Governance policies are transported only if the leaders involved share the same values (Mostovicz, Kakabadse, & Kakabadse, 2009); however, in the case of cost pressure it was observed that even leaders, who are against this, pass on cost governance by pressure, as the ‘internal competition’ issue illustrated. Processes like NPD or knowledge management are not supported for various reasons (no trust, ‘doctors’ perceived as not being helpful, tests disturb production, product (X) incident).

As Grojean, Resick, Dickson, and Smith (2004) state, ethical leadership is avoiding unethical behaviour. The few leaders at the factory who had the best perception were not described as ‘ethical’. They were not described as leading with integrity, while all other leaders were described, to a great degree, as leading without integrity. In a very operational context, it may well be that leaders who maintain personal integrity, and without following the research definitions of being ethical leaders, are still perceived as being ‘ethical’. To persist as a good leader in such an environment is an achievement that is perhaps undervalued by research.

Concerning moral persons acting as a moral managers (Brown & Treviño, 2006; Treviño et al., 2000), none of the managers was described as behaving ‘unmoral’; many were described as behaving unfair, unjust, without integrity, showing favouritism, or as belonging to the ‘old boys’ network’. In the setting of a factory, few employees seem to expect a specific ‘moral’ behaviour. ‘Good’ leaders earn reputation by being fair, acting with integrity, possessing expertise, and acting as a positive role model. Generally, (positive) role modelling was much missed in the organisation, interestingly from workers and leaders alike. Strong (ethical?) leaders, however, as one example illustrated, do not wait for their superiors to ‘allow’ or model ethical behaviour.

Dishonesty was also mentioned many times in the interviews. Up to board level, managers were described as being dishonest in where the company is going, and how the internal competition issues were played. The danger of becoming a hypocritical leader, or at least being perceived as one, in such an environment is high. In an operational setting such as a factory, many small day-to-day decisions can result in an erosion of integrity, and leaders then drop moral considerations when put under enough pressure. In this research, it was observed that passing on pressure and striving to reach operational targets can make leaders lose their integrity. The role the performance measures play, can enhance this greatly, undermining co-operation and honesty.

The following sections are relating to the theme of embedding ethical leadership in organisations (Sects. 3.3–3.3.7).

### **7.1.3 *Operational Context***

It has been stated that organisational context is relevant and eventually defines all leadership interactions (Avolio & Gardner, 2005; Eisenbeiß & Giessner, 2012). It was an assumption of this study that the operational context would influence the way in which leadership is exercised. Such operational circumstances, however, can become the main focus of the organisation, especially when leaders build enough pressure and no one defines how leadership should transport this focus.

In the researched factory, cost control, raising productivity, NPD, internal competition, and waste measurements have become the main operative context. Confirming Dean and Sharfman (1996), whatever the original intentions and motivations of most leaders were, they were following this focus and were passing on pressure against their own judgements, up to a point that they were describing their own behaviour more like bystanders and not as the role of actors. The one leader who was a clear exception contrasts this general behaviour even more.

Concerning Hooijberg (1996) who raised the point that task (context) and people orientation are both important, it can be stated that the absence of a people orientation leads to serious effects on overall climate and motivation in this study.

### **7.1.4 *Transformational Change***

The question remains if plant managers who have long been absorbed in the operational context are capable of changing their leadership style. This book concludes that this is possible, as the top leaders of the plant blamed the pressure to which they are subjected on the board and on how the company was governed. Their perception was they have to pass on the pressure in order to be successful. Improving how board members influence their top leaders and middle managers would mitigate this to some degree. Are leaders constrained by hierarchies (Wray-Bliss, 2013), or do they have enough autonomy to live up to the values of ethical leadership? The leader of department 4 empowered himself; this example shows that even in a difficult environment, the autonomy to act is greater than leaders often seem to fear. As the positive evaluation of machine group 4 shows, individual managers can display leadership styles that are very different from the mainstream. It is possible to form a micro-climate within the sphere of influence, even successfully so against a dominant corporate climate. Further research is needed on how middle managers can use such role modelling to influence culture and climate.

The study can conclude that massive change efforts are needed in order to restore trust and positive leadership behaviours in the factory. It is clear that training can be useful, but organisations will need to invest many more efforts in controlling that the learnings from training are actually applied. Training ‘thrown at employees’ without proper learning needs analysis and adequate learning success control, analysing the transfer, will not achieve anything, according to statements of the

respondents. While the programme structure intended for implementation is important and the governance that controls the implementation levels is as well, and training can be supportive, actual implementation is based on leadership.

Confirming Burke and Litwin (1992), if leaders ignore intended changes, implementation will grind to a halt. Change is not commanded, communicated, or achieved with a few training sessions. In particular, behavioural changes require a joint effort. Without the support of the leadership of the middle management, such initiatives become diluted.

Again: senior management of the researched company believed the main plant to be exemplary, highly professional, and based on corporate values. However, the same management had started massive change processes, which were unmanaged and uncontrolled. Achieving a cultural change is regarded as the most difficult discipline in change management. If the Burke/Litwin model (1992) was applied to the analysed factory, the transition from one factory to a global enterprise clearly can be described as being stuck in the organisation. The same can be said for strategies like NPD, cost management, internal competition, and the 'quantity over quality' approach. Transformational power can only be obtained if the following areas are actively managed: a defined process, communication, leadership acts accordingly, culture is formed, climate responds, governance controls. This should be sequenced and reinforced accordingly, which is what practitioners should aim at, eventually using the Burke/Litwin model and the research framework model developed for this study.

The study revealed, however, that leaders, guided by operational pressure, chose to adopt the performance parts of corporate strategy only, and that passing on the pressure could change the culture, but only by worsening it, destroying old values and believed core-competences. If leaders do this long enough, the climate is also quite negatively affected.

While the lowest-level factory workers knew that they were in the middle of such a culture change and saw the difficulties in their daily work, senior managers were unaware of how their value changes affected the entire factory in quite negative ways. However, a good work climate is essential for a productive factory. Is ethical leadership the necessary answer? Following the main theoretical concepts, there is evidence that such an approach would address and remedy the main issues of encountered 'bad' and 'poor' leadership identified in this research.

### ***7.1.5 Process Implementation***

Processes and communications are important, but, as could be shown in the factory, codes, publications, and communications work only very poorly and these were very little perceived in the factory, delimiting the influence from top leaders, which, due to the cost culture strategy, is also not appreciated, nor understood. Furthermore, concerning process, a factory is not fully suited to host an 'ethical

infrastructure'. However, in this factory, not even leadership trainings to improve shift handovers were described as showing effective signs of positive improvements.

### ***7.1.6 Changing Organisational Culture and Climate***

Linking ethical leadership to culture: The majority of leaders would need to behave ethically in order to form an ethical culture (Palmer, 2009). Is there a critical mass? The influence of middle managers is perhaps much greater than anticipated, so a small group could already influence the culture and climate considerably. In this study, one department leader was enough to influence the entire department culture, climate, and motivation. Role modelling is the most influential source for framing a local culture. However, this is dependent on the personality of the leader, who in this case was not supported by processes or exceptional circumstances.

Weak management and leadership results in a weak business culture, where structures normally tasked with surveillance are dysfunctional, inviting unethical decisions (Vaiman, Sigurjonsson, & Davidsson, 2011). If the top leaders of the factory ignore the levers that influence the culture, a dominant leadership style can become very negative. The leadership culture can be out of control. It is then a chance event whether individual leaders try to uphold professional leadership styles or give in to pressure and internal competition. The pressure to get results overpowers ethical aspects, a thesis by Rubin, Dierdorff, and Brown (2010), which can be affirmed. The more operational the business environment, the more this seems to be the case—with many negative consequences for the culture. Performance measurements and business goals need to be defined in *accepted* ways that do not harm the overall efficiency of operations.

Concerning the cultural web (Johnson & Scholes, 1997), it is noticeable that the factory seemed to have changed the central paradigm from “top quality” to “mass amounts (based on according performance measures)”, but most of the cultural aspects which form this web were unmanaged and not defined, so this paradigm change met massive resistance.

Leaders and applied leadership are the decisive factors for developing an ethical climate (Mulki, Jaramillo, and Locander, 2009): In this study, independent of governance, process, and change structures, middle managers have it in their hands to exercise leadership styles that form the climate. Most leaders will fall victim to pressure and into a downward spiral of bad leadership, if this is not controlled for. Strong individuals are able to establish a more ethical climate, even without being backed by governance structures, as the case of department 4 reveals.

Culture needs to be observed and actively managed. The shared behaviour of leaders forms the leadership climate. If this process is unmanaged, operational pressures take over and determine the behaviour of leaders. The study revealed that corporations who deem themselves professional and in control, as they have a strategy, can very well be out of control of their culture. At the cost of motivation and team spirit, work and leadership climate deteriorate and the dissatisfaction of

the workforce increases. Culture and practices can even normalise unethical behaviour, giving it a ‘normal’ appearance, so employees act thoughtlessly and commit unethical acts (Camps & Majocchi, 2010). There is evidence that this is the case in the factory. While the displayed behaviour is not in all cases ‘unethical’ per se, the many cases of favouritism, old boy’s network, and the ‘nose factor’ signify that an uncontrolled environment becomes a normality and reality, in which many leaders feel free to act to their liking; unchallenged, in such a climate.

This can even have effects on the health of the workforce. Faced with such a situation, or just when wishing to achieve better forms of leadership and governance, companies need to think about how they can implement processes and influence their culture.

Other aspects are how employees lose trust when critical incidents perceived as a violation of the corporate culture occur. Turning away from quality, introducing new products that then fail during the manufacturing process, and other strategies against the former successful culture of the factory need to be closely managed and communicated, otherwise the old culture is destroyed at the cost of trust, while the future becomes uncertain. While it may be true that “culture eats strategy for breakfast” (an anonymous quote often wrongly assigned to Peter Drucker), operational pressure and context definitely seem to eat culture.

Is the implementation of ethical leadership the needed answer for this plant? There is evidence that such an approach would address the identified leadership problems. Implementing ethical leadership characteristics in such corporate realities, however, will be a challenging task. Sequencing the implementation is the key to the successful institutionalisation of ethical management systems (White & Lam, 2000). This research can only establish the thesis that rules, policy, process, motivation, and value systems coupled with the ability to resolve ethical dilemmas are levers that can change the ethical culture. The more or less *perceived* complete absence of ethical leadership, however, can have negative effects on work climate and motivation. Regarding the right sequence, using the research framework model, which is revisited in the next section, can help to define the correct priorities.

Defining how leadership shapes the organisational culture which then affects the overall climate, also leading to a specific leadership climate, seems to be a key aspect of embedding ethical leadership. Further research is needed how leaders can influence culture by role modelling. Some individuals seem better suited for this role; it is vital to find out why department 4 in this study was able to display a much more positive leadership behaviour than the rest of the plant, which also resulted in a much more positive climate.

### ***7.1.7 Role Modelling and the Role of Middle Managers***

Who is responsible for leadership—the CEO or middle managers? Do young middle managers have low levels of ethics of responsibility? (Dion, 2012; Palanski & Yammarino, 2007; Parry & Proctor-Thomson, 2002; Pauchant, 2005). According

to the findings, the CEO is far away from the operational setting. Even the head of the factory is rarely met; usually only when problems occur. Guidance and direction take place in the way corporate policies are handed down the organisation, usually in the form of pressure. The middle managers in the factory have the main influence in shaping climate and motivation, in the negative sense, and with one example, in the positive.

Senior managers need to be much more concerned about the forms in which leadership climate takes place and they need to control how culture is shaped by process, role modelling, and leadership practice. If they ignore this, the sum of behaviours of stressed middle managers will form a culture of stress and cost thinking, with potentially negative results for productivity.

Role modelling of supervisors plays an important part and is one key characteristic of ethical leaders and their influence (Hansen, Alge, Brown, Jackson, and Dunford, 2013; Avey, Wernsing, & Palanski, 2012; Ruiz-Palomino & Martinez-Canas, 2011; Brown et al., 2005; Mayer, Kuenzi, Greenbaum, Bardesa, and Salvador, 2009; Kalshoven & Den Hartog, 2009; Weaver, Treviño & Agle, 2005): Many respondents stated that leaders who act as role models are clearly very important. Looking at the evidence of both negative role models and the positive exception (department 4), it can be stated that individual managers have a choice about how they lead in their realm and sphere of influence. Young and middle managers in a factory possess a lot of responsibility, yet most are acting unguided, if not properly led and supervised. However, and this is important to bear in mind, they do act.

Leaders, particularly middle managers, play a significant role for embedding ethical business practices, and leadership by role modelling and influencing is a main driver for this. Before the implementation of ethical processes is planned, HRD initiatives seem suitable, particularly leadership development programmes, as Pless, Maak, and Stahl (2012) stated. This is in accordance with the findings and depends on the overall maturity levels and kind of leadership exercised. This research, the interpretation of the results and the reaction of both board and workers' council to the findings, has been the first step to improving the leadership culture of the researched factory, and led to a massive, still ongoing, intervention.

Most CSR initiatives do not seem to change the actual governance of the company in question; they also do not reach operational governing powers. Only changing the leadership realities will have effects on the way the organisation operates. This sounds trivial, however, taken seriously it means that more than 90% of the existing research in CSR has got it wrong and is analysing the false transformational drivers.

The next section will look at the research framework model in the light of the findings, which can be used by managers to give such attempts focus and structure.

## 7.2 Revisiting the Research Framework Model

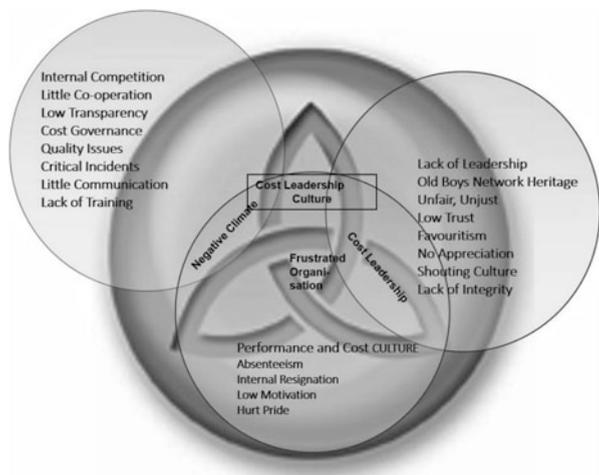
Adapting the ‘trinity’ research framework (*leadership, culture, and change effort*) with the perceived areas of action in the factory depicts that the operational context overrules many cultural influences. *Leadership and change efforts* are disconnected and non-overlapping, instead enabling a cost attitude culture, while aspects such as ‘internal competition’ and the performance management as handled in the company are further leading to a negative climate. This is the opposite of a supporting or enabling process, or of managed change (see Fig. 7.1 below):

Leadership research studies focusing on embedding ethical leadership by process (see Sect. 3.3.4) often conclude that organisational improvements can be achieved if only the prescribed implications for practice (usually ‘communications’ and ‘training’) were applied and implemented.

Hindering and supporting forces, market influence, and particularly operational issues are usually disregarded. However, these ‘prescriptions’ are often insufficient. Often little to nothing is contributed concerning the implications for culture and change management, particularly regarding how the operational and contextual issues can be overcome. The third influence in the model, the *leadership culture* that developed over time, can be evaluated as having a rather negative impact on the researched organisation. Operational management is mainly translated into a culture of cost thinking, and these impacts are resulting in a deeply frustrated organisation that is dreaming of the old days of success and quality leadership. Leadership efforts can be viewed as ‘cost leadership’, as cost thinking is dominant in what employees are hearing most in their interactions with leaders.

There are leadership programmes in place, but no signs of ethical leadership. Transformation is not happening; instead, there are many hindering forces, leadership itself being one of them! The model suggests that in the case of this factory,

**Fig. 7.1** Conceptual framework model outcomes concerning leadership, culture, and change. *Source:* Developed by the author



good leadership, a positive culture based on the strengths of the factory, and supporting processes are needed to create an ethical or socially responsible organisation. All these components of good leadership practice are currently missing in all but one production departments, hurting cooperation and efficiency greatly. The need to become a much more effective factory may perhaps not be seen by senior management, as long as the organisation is still very profitable.

How the board governs the corporation and the plant is playing a role in this, as the outflow of some of the central processes can be linked back to those corporate strategies such as internationalisation, growth, the acquisition of other plants, and installing a board and many central management functions. The latter interferes with the plant managers, in the case of internal competition, corporate planning, NPD, cost and performance thinking, waste control, and a new product quality philosophy. However, all these strategy changes do not seem organised or managed adequately, resulting in many intra-departmental conflicts and classic confrontations between a corporate centre and (now) peripheral structures. Good leadership—as translated by how middle managers lead their realm—is quite important, as the example of machine group 4 signifies.

Leadership efforts have not formed a ‘good’ operational impact on the factory; they seem to be detached and are mostly concerned with internal competition and performance measurement. Mixed messages and unclear policies regarding product quality and safety regulations are the result. Context and cost culture are closely attached to everyday routines and are what is mostly perceived in the organisation. Leaders try to teach the organisation to accept lower levels of quality (in clear violation of culture and traditional values) and an increased machine speed, with few signs of understanding, acceptance, and buy-in on behalf of the workforce. The result mirrors that the main influence of how the factory is led is seen to be on the cost side, whereas other parts of the strategy such as NPD, environmental improvements, work safety, or knowledge management are more or less ignored, or even perceived as highly unsuccessful and even endangering the future of the company.

A wider gap in the perception of what the board and what the workforce is thinking can hardly be imagined.

There are many perceptions of negative issues including bad leadership, coupled with the expectation that better management practices are needed and top leaders ‘*should do something about it*’ or come to terms regarding “*who rules this mess*” (52 l, 57 w). Finally, if a leadership culture is not actively managed, context and operational issues are becoming dominant forces and form the realities of the work climate. This is not stressed enough in the mainstream leadership literature.

The third influence in the model, the *leadership culture* that developed over time, can be evaluated as having a rather negative impact on B’s organisation. Operational governance is mainly translated into a culture of cost thinking, and these impacts are resulting in a deeply frustrated organisation that is dreaming of the old days of success and quality leadership. Leadership efforts can be viewed as ‘cost leadership’, as cost thinking is dominant in what employees are hearing most in their interactions with leaders. The model suggests that in the case of this factory, good leadership, a positive culture based on the strengths of the factory, and

supporting processes are needed to create an ethical or socially responsible organisation. All these components of good leadership practice are currently missing in all production groups, with the exception of one department. This need to become a much more effective factory may perhaps not be seen, as long as the organisation is still very profitable.

How the board governs the corporation and the plant is playing a role in this, as the outflow of some of the central processes can be linked back to those corporate governance strategies such as internationalisation, growth, the acquisition of other plants, and installing a board and many central management functions. The latter interferes with the plant managers, in the case of internal competition, corporate planning, NPD, cost and performance thinking, waste control, and a new product quality philosophy. However, all these strategy changes do not seem organised or managed adequately, resulting in many intra-departmental conflicts and classic confrontations between a corporate centre and (now) peripheral structures. Operational governance—as translated by how middle managers lead their realm—is quite important, as the example of machine group 4 signifies. Here, the only positive role model leader was identified. This department, despite all the issues and tendencies described in Chap. 6, is successful at leading differently. Hiring role models and following up with them—and understanding how they influence the leadership culture—are needed levers to implement values-based leadership. A proactive middle management based on good or perhaps even ethical leadership principles can become the bridge over troubled water.

The next section will examine further emerging findings from the data, which were not discussed in the literature review. These issues are not defined parts of ethical leadership concepts; however, ethical leaders would potentially deal differently with these issues than the leaders of the company in this research.

### 7.3 Emerging Issues from the Findings in Light of Recent Theory

Several issues emerged from the statements of respondents that require a discussion of their relevance. The first one is the issue of *internal competition*. Competition, as Solomon (1992) remarks, is generally the management area, in which many leaders forget their values and the sense of caring and belonging to a team. According to Schweitzer, Ordóñez, and Douma (2004), people that constantly have unmet goals are more likely to engage in unethical behaviour. Their cheating to reach goals can become endemic, resulting in almost routine behaviour. Finally, meeting expectations is often the reason for ‘cooking’ the books (De George, 2009).

Some respondents referred to “*despotic*” leadership styles. According to Padilla, Hogan, and Kaiser (2007), destructive leadership behaviour can occur in a ‘toxic triangle’ of destructive leaders, susceptible followers (driven by unmet needs, ambition, low maturity, or lack of values), and conducive environments (based on

instability, perceived threats, lack of checks and balances, and many inefficiencies). Krasikova, Green, and LeBreton (2013) provide a definition of such behaviour; here, destructive leadership is described as harmful behaviour embedded in the process of leading; however, the definition is based on ‘volitional’ behaviour. On how leadership can become destructive (according to the definition, by steering employees towards pursuing goals that are destructive), the respondents came up with many cases of being drawn into the personal conflicts of leaders, pushing waste and products with quality issues forward to the next shift or department or forging reports on products and machine settings.

While respondents called their leaders ‘despotic’, the overall leadership culture is not described as such. According to De Hoogh and Den Hartog (2008), ‘despotic’ leadership is based on personal dominance, authoritarian behaviour, self-serving attitudes, and exploiting others. Such behaviour, the authors state, destroys optimism among the workforce, whereas leadership based on CSR or ethical values results in more optimistic employees who are less concerned about the future of the company. The findings suggest that leadership behaviour does not have to come from an extreme or ‘despotic’ end of the scale in order to fully destroy trust, motivation and optimism.

Den Hartog and Belschak (2012) look at “Machiavellianism” among leaders and describe this behaviour as social conduct that manipulates others for personal gain. Manipulation can have negative, but also positive results. Wearing safety glasses in the factory, for example, decreases the number of injuries. Still, many workers of longer tenure despise being forced to wear such glasses, and so many shift leaders command, convince, bribe, and enforce, or appeal to insight and reason—but are not really leading by example. Role modelling, however, seems to be a much more effective leadership behaviour for achieving such goals, according to both literature and narratives.

Many respondents complained about a lack of *respect*. Clarke (2011) describes respect as one of the most important aspects of what constitutes good leadership practices. Respect takes place in the form of appraisal and recognition (expression of worthiness) as well as identification (a sharing of values). Respect, Clarke writes, is grounded in antecedents such as confidence, honesty, competence, and moral character; all these categories are missing in the presented case. Important moderators are leader empathy and the amount of personal contact leaders have with their co-workers (Clarke, 2011); again, these are items that many respondents claimed were missing. Finally, Clarke states that respect is needed for commitment and job satisfaction, areas where the analysis accordingly shows low values.

A dozen employees reported unethical behaviour in the form that their ideas and suggestions for improvements were ‘stolen’ and passed on by their leaders as theirs. Such a culture may be the opposite of what Tseng and Fan (2011) describe as a functioning culture of how to treat intellectual capital. Then, there was the critical incident resulting in a traumatic experience, tagged ‘product (X)’, where a lack of knowledge became visible. Tseng and Fan (2011) point out that in regard to ethical leadership, many ethical conflicts are also in the field of how a company treats its knowledge. These issues, Tsang and Fan write, can have many facets. For example,

contributions to knowledge are not appraised, or even ignored, retrieved knowledge is kept, but the knowledge bearers are laid off, and sharing knowledge is not valued, or self-interest of a leader is larger than allowing a team to progress. These aspects suggest that ethical leadership can support co-operation and knowledge building/preserving; however, in this factory, as the survey results show, things are on the opposite side of the scale.

There are also issues with the way leaders treat the *psychological capital* of employees (Avey, Wernsing, & Luthans, 2008). Walumbwa, Peterson, Avolio, and Hartnell (2010) analyse ‘psychological capital’ as a factor of positive influence on service climate and job performance. According to the authors, psychological capital is based on four items:

- Efficacy (confidence and effort to succeed in a task)
- Hope
- Optimism, and
- Resilience (will and ability to overcome problems and resist stress)

The study clearly shows very low levels on these four dimensions. Walumbwa et al. (2010) also point out that role modelling is needed, a visible engagement that also stimulates hope and optimism. Here, a third of respondents from all levels stated they miss positive role modelling from their leaders, while two thirds described that negative role modelling influences the overall culture, leading to low levels of hope and optimism. The sum of the statements from the interviews allows the judgment that the basis of the psychological capital of the leaders has eroded in the factory. Ethical leadership, which is based on trust, would have a difficult start.

The next important issue that emerged from the study is the effect of the leadership culture on *co-operation*. According to Solomon (1992), ethical behaviour coupled with virtues such as integrity is the foundation to better business results and work excellence. However, this can only be achieved if all the departments in a complex organisation cooperate. It is a hypothesis that in this plant, leaders would achieve better results if all parts of the organisation had better co-operation capabilities. Gruman and Saks (2011), for example, point out that performance management works better and that it is much more accepted when it is built on employee engagement, mutual agreement, and joint goal setting. In the factory, performance measures were clearly top-down and had the opposite effect.

An issue that emerged as a surprise from the study is the clear relation between the bad forms of leadership and the impact on *employee health*. As a cure, personal and organisational resilience needs to be built up; resilience is currently a trend topic that management looks at in order to reduce absenteeism (Fröhlich-Gildhoff & Rönnau-Böse, 2014). However, methods to build organisational resilience (cf. Wellensiek, 2011) require a much more positive leadership climate than currently exists in this plant. Further, the underlying assumption of the resilience approach—as understood by managers—is, that if the environment is too tough for some employees, employees are needed who can take more stress, training them in

this way, rather than addressing the root causes and stressors, of which leadership practice clearly is a main one, as this book identifies.

Zhang et al. (2013) posit that ethical leadership, uncertainty, and emotional exhaustion are related to withdrawal from work. As their study works with employee data from China, comparisons can be made only very carefully; however, the study demonstrates that role modelling, trust, and listening to employees' concerns can reduce employee withdrawal from work. Avey, Patera, and West (2006) conduct a study in a high-tech manufacturing firm and conclude that positive psychological capital is a value for a company, as it supports the reduction of absenteeism.

Research looking at the direct link between bad forms of leadership and employee health is scarce. There is a new stream of research on psychological consequences such as burn-out and burn-out prevention; however, that employees refuse to go to work because of their leaders is a much lesser observed phenomenon. Nyberg (2009), summarising five earlier studies of employee health, names several leadership behaviours as main sources for the declining health of employees, including 'forcing own opinion on others', 'being insincere/unfriendly', and 'withdrawing from employees'. These are all familiar issues from the findings in this study and seem to play a role.

A transformational leadership study by Kelloway, Turner, Barling, and Loughlin (2012) states that trust is a main source for psychological well-being. Furthermore, if managers give subordinates little attention, or attention only when something goes wrong ('passive avoidant' leadership style), increasing absenteeism among employees is the result (Frooman, Mendelson, & Murphy, 2012). Both factors—lack of trust and passive avoidant leadership—are clearly present in the plant.

Perko, Kinunnen, and Feldt (2014) conclude that the connections between transformational leadership and psychological well-being are researched generally, but whether this has concrete effects on absenteeism, absence, withdrawal from work, and illness days, is typically not part of the studies. While bad forms of leadership can enhance depressive symptoms, absence days, and lost productivity (Perko et al. 2014), no research is available on the actual impact. As this research study shows, the departments with bad forms of leadership have two or three times as many sickness days (short-term absences) as those with a good perceived form of leadership.

Hassan, Wright, and Yukl (2014) claim to have published the first study that shows that ethical leadership—here understood as showing fairness, integrity, honesty, positive role modelling, and dealing with issues in an ethical way—reduces absenteeism. The study was conducted with employees from public administration, and thus a comparison with a factory setting seems difficult.

Again, it is hardly possible to state whether employees are 'ill' or if 'pulling the plug in self-defence' is a question of escapism due to the seemingly unbearable working conditions. The many reported cases, however, suggest that resilience is negatively affected, which means that the affected persons become ill more often. Many employees stated they suffer from psychological illnesses and their well-

being is strongly affected. Low motivation and bad climate eventually reinforce this attitude. These aspects need further research.

Ethical leadership, however, is well suited to help reduce the cost of absenteeism. It is difficult to work with national averages; however, the costs of employee absenteeism are a considerable factor in overall productivity. Even with a low absence figure of 1.6 % of scheduled work time, the US loses 400 million work days a year and the UK 175 million work days, according to Frooman et al. (2012). In this factory, short term absence percentages (1–3 days) were found to range from 3 % to 10 % (matching the level of perceived bad leadership), and these figures excluded known injuries and ‘normal’ longer absences. The departments of the factory in this study in which the complaint rate about bad forms of leadership is the highest, have absence rates of more than 10 % despite work conditions, work safety, and work ergonomics having improved considerably during the past 2 years as described in the interviews. The answer to what respondents perceived as a paradox regarding this issue is what the narrative itself made clear: these recent developments could not mitigate the impact of poor leadership.

Elshout, Scherp, and van der Feltz-Cornelis (2013)—claiming to publish the first study looking at the relationship of leadership style on employee satisfaction and absenteeism “in a turbulent work environment”—state that for the Netherlands (like Germany, a country with wage continuation and no deferred period), national average absence leave was 5.2 % for 2010. Their study reveals that in a stressful mental hospital setting, which furthermore happened to be in a post-merger change situation, absence leave was 5.7 %. Absence was lower in the areas led by transformational leadership and higher in the areas with transactional leadership.

Comparing this with the results of this study in a factory setting, serious doubts remain that a 0.5 % difference from the national average (5.2 %) signifies that leadership styles and on top of this a post-merger change situation are the main influence on absenteeism in the hospital. Further weaknesses in this particular study suggest that results are more or less random. The quantitative study deploys mixed-methods, triangulating with qualitative semi-structured interviews, but the qualitative back-up is informed by ten respondents from seven departments only. The study concentrates on analysing job satisfaction and leadership style. Sickness days and absence rates were simply totalled and not controlled for work-related stress, not considering injuries, infections, or typical long-term illnesses. The study does also not consider that employees in healthcare eventually take their work more serious (driven by ‘caring’ for the entrusted persons/patients) than for example factory workers. Pride in and attitude towards work as well as meaningfulness of the work (Hodson, 1998) are all factors which can influence the result.

*Work characteristics* like variety, importance and identity play a huge role for employee satisfaction and motivation (Hackman & Oldham, 1976), which should have at least been considered. In the case of industrial plant B, transactional leadership styles prevail, yet still the absenteeism figures vary. Short term absence percentages (1–3 days) were found to range from 3 % to 10 % (matching the level of perceived bad leadership), and these figures excluded known injuries and ‘normal’ longer absences. However, the hospital study supports the suggestion that highly

operational areas need to turn away from mere transactional approaches and need to adopt more suitable leadership styles based on integrity and trust.

Generally, musculoskeletal and lung disorders are no longer the main issues in employee health problems, because psychological health issues, according to the reports of all major health insurance organisations, have grown exponentially due to work stress, growing competition, and other stressors (Wellensiek, 2011). Undermining resilience in a factory by means of a bad leadership climate while increasing production speed, is seemingly not leading to sustainable efficiencies and a climate of motivation. Tenhiälä et al. (2013) suggest that high-quality relationships with supervisors can prevent both short and long sickness absence periods across all ages and that older employees generally have a lower absenteeism rate provided they perceive the organisational processes as just. Unfortunately, in their study, the age item was not controlled for in terms of job tenure and, again, employees were from the public sector. There are still too few studies available with data from industrial operations. Further research is generally needed to investigate how leadership can influence employee health.

Further longitudinal research is needed to learn more how bad forms of leadership affect employees' health. Having discussed the findings and how they relate to theory, this report will turn to the concluding chapter, which will examine their significance for answering the research questions. This chapter will also discuss the limitations, implications, and contributions of this study.

# Chapter 8

## Conclusions and Implications of this Research Study

All research objectives as outlined in Sect. 1.3 have been achieved. This concluding chapter discusses the answers to the research questions before turning to the limitations and further conclusions and implications of this research report. Also, suggestions for further research as well as the contributions of this study to research and to practice are discussed.

### 8.1 Conclusions on the Research Questions

The main aim of this research (see Sect. 1.3) was

- To gain clarity how the theoretical and conceptual frameworks behind ‘ethical leadership’ mirror or reflect corporate realities, particularly in challenging operational environments, and how, learning from this analysis,
- Ethical leadership could potentially be implemented considering operational context and leadership culture or climate.

The main aim of this book was operationalised by five research questions formulated in Sect. 3.6. Looking at the theoretical concepts and findings, there is evidence that highly operational environments can already be improved with basic good forms of leadership. It remains questionable if factories and plants would appreciate a level of ‘ethical’ leadership, or if this is above their perception of what they need. Moreover, this would have to be supported by HR development, (transformational) change, and management practice. The plant examined in this study was neglected in exactly these areas, and this might not be an exception.

The first research question was: *For the realities of middle managers from organisations that have a highly operational core, does ethical leadership exist?*

In this factory, leadership traits associated with ethical leadership were very limited. Operational staff does not amount their leaders in categories as ‘ethical’ or ‘unethical’, unless this terminology is triggered by measurement instruments

(cf. Sects. 4.3.1 and 4.3.2), as study pre-tests revealed. However, the described actions of the leaders are falling within what is normally being described as ‘unethical’ behaviour. The missing traits ascribed to ethical leadership would certainly have beneficial effects on this factory. Ethical leadership principles would change how internal competition, performance measures, NPD strategy, and co-operation would be dealt with entirely. Under the principles of ethical leadership, much better leadership and, in this vein, a better work and leadership climate would emerge. Motivation, levels of integrity, co-operation, commitment, and job satisfaction would presumably improve. Issues such as favouritism, the ‘old boys’ network’, ‘nose factors’, pressing for results, and unjust or unfair behaviours would not be sustainable, according to ethical leadership theory. This would also hold true for the shouting style, coupled with a lack of appreciation, or penalising without reason, or ignoring root causes by looking for scapegoats. This of course is an assumption, and subject to further research.

The next research question was: “*How influential are middle managers in operational environments?*”

The middle managers had a huge influence on leadership climate and perceived leadership quality, both negatively and positively. As demonstrated, department leaders who act as responsible role models with integrity can make a huge difference. The influence of middle managers seems to be greater than research currently suggests; enabling middle managers to lead differently would have a great impact on the culture and climate in the factory.

Supporting positive role models could influence an organisation potentially stronger than current research anticipates. While in this research study negative leadership behaviour was demonstrated, the contrast of having such a strong positive example of one positive role model underlines the importance and influence of such leaders.

While the board and its influence seemed quite distant, the board strategies like conglomerate strategies, centralisation, NPD, cost controlling and performance management/internal competition were clearly objected, as they all were transported as an unmanaged, uncontrolled change. Middle managers have it in their hands to turn the situation in favour of strategy implementation, or to a degree of almost sabotaging it.

The third question was “*How can ethical leadership be implemented in operational environments?*”

Following the research model framework (see Sects. 3.6 and 7.2), a change effort trinity is needed which enables transformational forces by

- Implementing transformational change management which is strengthening the supporting and eliminating the hindering situational factors.
- Building leadership capabilities which influence the culture and form a leadership climate that shapes an ethical climate.
- Forming an organisational culture by process (training, ethical infrastructure, codes and regulations), but more importantly by role modelling and empowerment of middle managers for moral agency. Arguably, emphasis and focus on leadership as the decisive factor can be quicker and much more (cost-) efficient,

but needs more attention from senior managers. However, external service providers and their process or structure oriented instruments are regularly described as not delivering impact.

Working on these three strings in a sequence and later in parallel should enable an organisation to develop enough transformational forces to implement ethical leadership. However, management needs to make sure counterproductive performance measurements or other hindering contextual factors are controlled. This would require a very strong change effort and the support of all leadership levels; potentially a fight against the statistics of failed change interventions, if not done with care.

Ethical leadership forms culture and climate. Many of the weaknesses inherent in operational systems could be mitigated this way. Leadership is potentially more important than process design, rulebooks, and regulations, which is usually at the centre of managerial thinking. Only those organisations that adopt an ethical leadership approach may be capable of implementing ethical policies or CSR to their potential.

The fourth question was “*What kind of situational and operational context supports or hinders ethical or unethical leadership in organisations?*” was answered by various findings within this book which exemplify such contextual issues. Internal competition, performance measurement, and quality assurance, to name a few, can become hindering forces if managed improperly. Leadership itself can play a supportive role, but can also become a hindering force if it remains without proper guidance, stays unclear, gives mixed messages, communicates insufficiently, or ignores values and climate. The higher the pressure in an operational context becomes and the more issues have to be dealt with in parallel, the more a sound leadership approach is needed; otherwise pressure and bad leadership styles can take over.

‘Passing on pressure’ must be seen as formative for operational environments, findings suggest. Being pressed for results is resulting in dynamics which can overpower many, if not most, good intentions of leaders. Looking more into deontological and also teleological ethical approaches (see Sect. 3.1.1) and also considering values-based management, is a needed focus for top leaders, however, embedding these approaches in organisations is done by middle managers. To some extent, the factors discovered to hinder ethical or moral behaviour are hindering individuals and organisations alike. If the circumstances permit, in a climate characterised by a lack of integrity and role models, even moral managers will sooner or later pass on the pressure to their co-workers, on the cost of performance, as co-operation capabilities decrease.

Shift leaders subjected to forms of bad leadership are much less motivated to act as role models. Certain performance measurements and internal competition can destroy moral cognition, or, as the ‘war on waste’ demonstrated, ruin co-operation and moral reasoning. Passing on bad quality products to the next department was also one of the effects that occur when leaders drop their moral reasoning. The more such pressures exist, the less it will be possible for moral persons to act on their values. Companies, who want to implement ethical leadership, clearly need to discuss their

profitability expectations, their visions, and their leadership ethos and values. They finally 'have to mean it' and need to take sides between potential cost savings and ethical behaviour. Just this influences the leadership culture.

If a leadership climate becomes very negative, moral cognition and employee motivation both decline. Operational environments are prone to fall victim to such circumstances.

Creating an ethical climate may help individuals to survive as moral managers. Ethical leadership, even in highly operational environments, should be supportive to control and stabilise negative effects by giving guidance to handle the situational context.

Though conducting a few training sessions or inviting an ethics coach may be supportive; however, in order to become fully implemented, such initiatives need to be carried forward by middle managers and an according leadership approach. Only then would such principles influence culture and climate. Stronger transformational forces are needed, as in operational areas, instant decisions are normally based on 'reaching those targets' ruling. If such an environment were based on ethical leadership instead, this would make a huge difference, even without formal procedures and a whistle-blowing hotline. However, this also requires a paradigm change, and whether CEOs or boards are ready for this to 'really mean it' when dealing with ethics, remains doubtful.

This leads to the last question, "*What is the impact of ethical or unethical leadership behaviour on culture and climate?*". This research question cannot be answered linking to findings, as 'ethical leadership' was not encountered, so it needs to be substantiated with more research. As the study demonstrated, leadership in an operational environment operates under much pressure. Many small tasks lead to a constant interaction between leaders and their staff. If the involved leadership processes are not managed or ignored, the culture can become quite negative, characterised by many negative leadership traits such as pressing, shouting, yelling, ignoring, punishing, and leadership behaviour that is perceived as unjust, unfair, and lacking integrity.

Depending on the stress levels of the situational context, such leadership environments can even drive employees into absenteeism. Organisations are well advised to manage the leadership culture actively, by observing how employees lead and are being led and by defining leadership principles. While this is known, it is often not applied to a degree which makes a real difference. This must have consequences on development, training, hiring, remuneration, and performance processes. In theory, ethical leadership could address the leadership issues encountered in this factory.

The impact of unethical leadership behaviour on culture and climate cannot be underestimated, so much has also become clear as an outcome of the data. Leaders and their behaviour influence the leadership culture, and this also affects the work and leadership climate. Leaders can have great control over their sphere of influence. Middle managers and team leaders define and transport the tone from the top within their realm.

There are areas where leaders are role models and within their range of responsibility do not tolerate unprofessional leadership styles or favouritism. This coins

the leadership culture within this area, and the effects are clearly present, and could be shown in this study. Leaders can shape the culture and vice versa. This influence goes both ways, and therefore it can be imagined as an interdependent cycle. Both sides constitute each other.

Shift leaders often work unobserved, especially during the early and late hours and on night shifts. If the leadership climate and processes are unguarded and unmanaged, they may well turn negative, as this research observed. An ethical leadership climate can control this effect, but only if employees have the perception that their leaders are held accountable for unethical behaviour. This can be supported by defined leadership policies. Ethical leadership hence is a topic *for all* leadership levels.

This research report concludes that ethical leadership has potential to control the context, but only if the top managers of an organisation care to look at the lower levels of management. Are ethical breakthroughs always possible? For example, banks run comprehensive CSR and ethics programmes. However, can ethical leadership change the context in a bank, where, for example, the employees of a commercial branch are selling financial products to clients while operating under a conflict of interest? Knowing their colleagues from the investment bank are actively trading against these products, maximising the spread and profit for the bank while minimising the benefits for the client (cf. Inderst & Ottaviani, 2012)? Can ethical leadership prevent a hospital from falling entirely into a cost regime, with all the negative consequences this has for patients (cf. Robeznieks, 2010)? This remains questionable. Even if organisations change the leadership climate, enabling moral persons to act as moral managers, such an operational context ploughs under moral cognition in the daily management and will potentially result in a frustrated middle management and workforce. Hence, companies need to decide on governing principles and this guides leadership. Pretending to take side, but not changing performance measures, will not help.

Further research cases are needed to evaluate the realistic potential of ethical leadership in such operational contexts. Such studies are rare and the data are hard to obtain, as few organisations allow such a level of transparency. The inherent limitations lessen the explanatory power of such real life studies; however, research looking more at operational circumstances as opposed to CSR, compliance or ethics policies could enhance the understanding of what really transforms organisations into more ethical ones.

While offering insights into such realities, this primary research also has such inherent limitations, which make it difficult to generalise the findings.

## 8.2 Limitations of the Study

As Sects. 4.1, 4.3, and 4.8 show, there are numerous limitations of an interpretivist research philosophy based on social construction and the design resulting from this stance. The subjective ‘approximation’ and desired ‘nearing’ to a social reality based on perceptions and interpretations of both research subjects and the

researcher, particularly challenging when dealing with values and morale, could result in a flawed analysis. Such misinterpretation could blur the outcome of this study. Section 4.8 discusses fallacies in the chosen method and research design. The criteria of the reliability, validity, and generalisability of the study were further explored in depth. Many measures have been taken to ensure the quality of this qualitative study, as Sect. 4.7 documents.

While respondents were surprisingly open, there is a danger that employees exaggerated their views, as no one had been listening to them for a long time, as many respondents claimed. This was mitigated by conducting many interviews above saturation level, by cross-checking facts and narratives with as many other sources as possible, and by comparing the views of leaders with the views of peers and subordinates. While this cannot be classified as a full ‘triangulation’ as defined by Creswell (2009), the study is based mostly on unprompted information which has been cross-checked and validated above saturation, which further ensures the relevance of the encountered issues. Additionally, corporate documents (policies, products, manufacturing processes, and guidelines) have been analysed to evaluate the gaps between corporate policies and realities.

Further data (concerning absence rates and health) have been consulted in order to evaluate the narrative. In addition, it can be summarised that the members of the sample reacted in a consistent manner to being interviewed and that the narrative also was very consistent.

This cross-sectional study was compiled with single-source biased data based on interpretations and perceptions, with no longitudinal data available. The operational context of a plant is largely unique and specific, making comparisons with other studies difficult. The study also had limited capabilities to determine the directions and strengths of influences, for example concerning how leadership forms a leadership culture and vice versa. Leadership and employee behaviours influence each other; while the study described theoretically plausible influences and causalities, these could determine each other in a reversed direction. For example, theoretically it could be that the leaders in the factory are pressed because workers are constantly underperforming, which workers would not admit in the interviews. However, as the plant was a strong performer despite all operational difficulties, and only one of 36 leaders has mentioned such problems in the interviews, such theoretical flaws are believed to not have influenced the outcomes of book.

A further limitation of the study is that not all factors feeding into a corporate culture could be integrated and analysed. Company size, working hours and circumstances, payment levels, and many other contextual factors could not be included systematically. This risk was minimised by accepting a pluralist view on culture (Sinclair, 1993; Van Maanen & Barley, 1985) and by asking many clarifying questions, particularly specific examples of reported leadership behaviours. Following Weed (2005), the qualitative input was synthesised and condensed, as all data items that could not be interpreted following an evidence-based approach—usually by a cross-check with other respondents—were excluded from the analysis.

Owing to the overall situation in the factory, there could be a bias towards negativity in the statements. As at least one of the departments had a very positive perception, and the data were distributed across the entire span from very negative

to very positive, the danger of this seems small. Socially desirable answers can also be ruled out; in fact, surprisingly often respondents blamed themselves for bad behaviours. A phenomenon not controlled for, but deserving further research and attention. Despite its limitations, the strength of the study lies in the mitigation of these limiting factors and the desired and achieved quality of the qualitative approach.

The data could not have been retrieved with alternative instruments, and no pre-designed survey or set of hypothesis could have foreseen the massive amount of situational context and the many leadership behaviours encountered.

### **8.3 Ethical Leadership Is the Driver to CSR Implementation: Contributions of this Study to Current Research and Knowledge**

This book adds a review of ethical leadership to the body of research, its originality is based on a special focus on implementation, specifically looking at operational environments. Furthermore, contrary to mainstream studies of business ethics or CSR, leadership executed by the middle manager is understood as the main ‘force’ for the implementation of such programmes, as opposed to process or regulations.

One of the suggestions and outcomes of this research is, that ethical or CSR programmes can be implemented with ethical leadership as a companion. An implementation based on rulebooks and codes alone will not gain much ground.

Another recommendation is to question individual leadership trainings that do not have a clear connection to the overall leadership climate, its definition, analysis, and change.

This research also uncovers a sequence: first, adequate ethical leadership capabilities need to be developed, which then change the culture of an organisation, which then affects the climate. The study also looks specifically at ‘leadership climate’, an under-researched phenomenon, demonstrating how it affects the organisation; in this study, the negative effects of bad leadership traits were described.

The study looked at ethical leadership within a set of enabling factors that are often ignored: transformational change, the role middle managers, the role of the situational context, and the role of culture and climate. All these factors play a role in the implementation of ethical programmes, and a holistic study so far has been missing. While this book scratches the surface of this only, it enables further researchers to deepen the knowledge of this initial context.

The study further contributed to broadening the understanding that the top management needs to become more involved with middle managers and their leadership capabilities, policies and styles.

Furthermore, a research framework model was developed, which can be used for analytical purposes. It synthesises, operationalises and integrates the factors used within them for the first time, and can give managers an indication concerning what

specific factors to look at in their operations. This framework model has meanwhile been successfully deployed by a small university of applied sciences, a foundry, and an international consumer brand manufacturing their own products. This framework determines the level of transformational forces, and helps these forces to form a joint effort, giving direction and an estimation whether these forces are strong enough, and whether and where they need to be strengthened.

The study further contributes to research by addressing the criticism that leadership research is too CEO-centric, while not enough data from working people and middle managers is available. This research adds data and context to the few studies looking at leadership issues in a factory. It also suggests that middle managers are much more important than is currently seen, in a negative as well as a positive sense.

This research is also one of few studies which separates and clarifies the differences between culture and climate and which analyses how culture influences climate.

Finally, the study also contributes to the body of knowledge on research methods by advocating two methods neglected in recent qualitative research:

1. Applying the instrument of in-depth interviews using *inductive categorisation*. Few studies have made use of this flexible and complex research instrument. The study hopes it can convince interested researchers to try applying the method in order to obtain a rich body of data while being responsive and open to emerging issues during the entire interviewing process.
2. The other component is *the use of unprompted information*. Few leadership studies have deployed this method of obtaining relevant data, preferring surveys and questionnaires with (semi-)structured input. Even if open questions are used, the content of many interviews is usually more directed towards testing existing hypotheses. Drawing from grounded research, market research, and storytelling approaches, aiming to obtain unprompted information, and then using inductive categorisation as a flexible process to follow up on the encountered issues is an approach that is used to great effect in this book.

The findings are useful to enhance the understanding of what happens in organisations that come under a lot of operational pressure and that do not actively manage their leadership activities. The study describes how leadership affects climate, motivation, and team spirit and how performance measures can impact and hinder co-operation. The described lack of integrity and role modelling was useful to understand what ethical leadership can achieve and what happens in the absence of such characteristics. How leadership, culture, climate, and role modelling interplay was illuminated. On a wider scale, the study promotes ethical leadership as a means to achieve better forms of leadership.

This book contributes much needed field research. Its originality will be a starting point for further research studying operational environments. Finally, the study explains how ethical leadership can be implemented in organisations and what the benefits could be, especially in operational environments.

## 8.4 Suggestions and Potential for Further Research

Throughout this study, suggestions for further research had been indicated. The many issues discussed within raise many questions, with further research needed on the central question whether organisations actually benefit from the introduction of ethical leadership. While this is generally endorsed in light of the findings, it is still an assumption.

Further research is needed to identify the role context plays in moral cognition and the resulting kind of leadership. Is ethical leadership, for example, capable of mitigating a (potentially) unethical context in the realms of banks or hospitals? What blocks transformation towards a more ethical organisation? Can ethical leadership be applied with a benefit in such a difficult context?

Research is also needed on the role of leadership culture and climate and on how these influence organisations. How change managers can develop transformational forces that change the characteristics of corporate culture and climate needs further studies. In particular, how exactly ethical leaders shape an ethical culture is uncertain, as is how the culture then shapes the rest of the organisation, or how leaderships climate can be developed as a change means.

An explanation is also needed as to how and when employees start to object to unethical behaviour. As the example of this study shows, an entire organisation can be driven to high levels of demotivation and a frustrating work climate, and yet the workforce does not address this at all, despite being represented by a workers' council.

An entire service industry has been established, supporting organisations to implement ethics, CSR and other programmes. Others are ethics and CSR training providers or coaches. Research is needed to evaluate the contribution and support of such processes and services for developing ethical leaders. Finally, the role of integrity in leadership research is by no means exhausted, which also applies for the importance of role modelling. Despite many studies mentioning integrity or role modelling, the influence of both issues on the organisational culture and their contribution to the implementation of ethics or values seem still unanswered questions.

It seems also important to point out, verifying Parry and Proctor-Thomson (2002) and White and Lean (2008), that in operational environments and their pressure to achieve the intended goals, the absence of unethical behaviour can be regarded as a very important positive leadership behaviour. Which is difficult enough to maintain, already requiring high levels of moral agency and integrity. Not disregarding the concepts of 'ethical' leadership, this is perhaps as good as leadership gets, in such realities. Further studies are needed to evaluate this.

Throughout this book, practical implications are discussed. The next section summarises the outflow of this research. The dissemination of the many learning effects contained in this study began quite early, showing the need for practical insights in the field, as many implemented business ethics strategies fail to have an impact on the operational core of organisations.

## **8.5 Practical Implications: Middle Managers Are Essential: An Approach of Establishing an Ethical Leadership Climate**

The findings chapter discussed many of the implications concerning the consequences of bad forms of leadership or management, which are interesting for managers and heads of manufacturing and which have made their way into workshop papers, where these findings are discussed. The many mini cases illustrate bad forms of leadership, suggesting alternative leadership behaviours. A sequence is thus introduced on how ethical leadership can be implemented: Leadership, culture and change need to be aligned; these forces and activities need to overlap each other.

The role corporate culture and climate and middle managers play is also often overlooked, and this should help those being responsible or tasked with implementing ethics to think more holistically. This researcher experienced that even managers who are very adept at ethics or leadership find this new angle highly useful for their implementation endeavours.

‘Middle manager’ leadership was identified as a clear means to implement programmes. The main body of business ethics research is preferably looking at process and the content of the regulations, the ‘what’, and not so much the ‘how’, apart from the ubiquitous ‘training’ effort. The literature on transformational and ethical leadership, on the other hand, focuses overly on leadership effects on employees, ignoring process, culture, and context. Contrary to this, the message of this research report is that such implementation processes based on regulations, training, communications, and codes of ethics are useful but potentially not transformational enough. Instead, more efforts from middle managers are needed, with leaders acting as role models, changing the culture and thereby making a vital difference for a real implementation. If organisations succeed in ensuring that moral persons can act as moral managers, they will have achieved a real implementation of an ethical stance.

This book developed an approach based on the three force fields of leadership, culture, and change effort. The trinity of these force fields is needed—the forces need to overlap or influence each other in a significant way. The idea behind the framework model developed in order to structure the field research was to look at how the directions and strengths of supporting and hindering forces influence the implementation effort and in which areas the effort needs to take place. Managers and leaders tasked with the implementation of ethics or ethical leadership may find this model to be a valuable resource in analysing their environment and structuring the needed resources, as current projects signify. The model is also part of a training which was developed for a public governmental consulting organisation in order to train consultants who obtain public consultation assignments in the state of Hesse. The model is also found to be a useful starting point for analytical discussion in client workshops, and is used in FIBAA accredited postgraduate courses on governance and CSR.

If an organisation wants to achieve ‘good’ leadership practices, it needs to actively manage the context, leadership, and role of management itself as well as how culture is formed and how it affects the climate. It is also a strength of this study that it draws attention to ‘leadership culture’ and ‘leadership climate’, concepts that are useful for practical application in culture change, as current projects show. Dissemination was, and still is, a focus of this research approach.

Finally, the study demonstrates that ethical leadership addresses many of the signs of bad, or lacking, leadership, which in the face of the Volkswagen crisis is a subject of much debate across all global corporates.

Really, many of the learning points of this book have foreseen that such a major crisis can occur. Companies for too long have depended on codes, on process orientation, on rule books and on implementing CSR as part of corporate governance, without changing the leadership realities, and the operational governance.

Particularly the analysis of perceived leadership and the existing leadership climate seem to be of vital interest to companies. When this research began, the frustration of organisations in the face of their failed ethics programmes was constantly rising. Today, business ethics or CSR have become even more ambitious and demanding, as transparency levels constantly rise and corporates are increasingly evaluated against ESG criteria. However, many managers and business owners are still struggling with ‘ethical leadership’ and its implementation.

The research journey around this study aimed to shed light on the implementation issue of business ethics, focusing on ethical leadership and the role of middle managers as cornerstones.

The shift from using multivariate statistics and empiricism to qualitative approaches is not new for this practitioner. However, a primary research study required strengthening the practice by looking into theoretical foundations, working more with definitions, and challenging all assumptions concerning a priori understanding and emerging themes. The practitioner turns into a researcher and scientist, and in this case, working on the theoretical foundations becomes a profound challenge even for those who are generally not prone to jump to conclusions. While this researcher has always been aware of cultural issues, analysing perceptions has helped to gain new understandings of how interpretive approaches support the analysis of leadership processes and of organisational change. However, while the professional experience suggested highly operational environments have a different leadership culture as opposed to managerial or administrative environments, nothing originated from extant research that could prepare this researcher for the leadership realities as identified in this research; a leadership culture of pressure, shouting, and bad leadership.

Now that the research project has ended with the finalisation of this book, it is the aim to publish more of the findings and to be further engaged in research; as outlined above, there is a need for further research, particularly on how leadership affects employee well-being and health. The life-long learning journey goes on; this and other research projects are a vital part of it.

## About the Author

Bernhard Bachmann studied History, Political and Media Sciences and Philosophy at Mainz University, obtained an M.B.A. at Ashridge, a DBA from Edinburgh Napier University, and is a Pg certified coach, consultant, and trainer. He also studied IT Economics at Cologne University, and change management at the business schools of Harvard and Stanford. He has published on learning needs analysis, HR and organisational development, and leadership development. After many years as a manager and leader at institutions like Deutsche Bank and Raytheon, he started his own consultancy specialising on change, communications, learning map and training systems and analysing organisational processes for efficiencies, cooperation capabilities, and leadership climate. He develops organisations towards CSR and ethics implementations and delivers open and tailored trainings. Among his clients are many multinationals, public institutions, associations, and international SMEs. Since 2002, he is a lecturer at various business schools in the fields of Management, CSR, Ethics, Marketing, HRM, International Management, Operations and Production, Quality, Strategy, and Leadership. He serves as county chairman of the SME Association and is a strong supporter of lifelong learning. Sitting on a lot of fascinating project data, he currently plans more research publications, and can be reached under [bb@bbachmann.de](mailto:bb@bbachmann.de).

# Appendix: Interview Questions and Interviewing Process

It has to be noted, as mentioned in Sect. 4.3, that most questions were not pre-formulated, but posed as it made sense. Not all questions were always used, the questions had different wordings when used, and the entire list was never asked, as at some point the interview ran dry. Steady, motivated flow, and unprompted information was valued higher than making sure all possible questions from the list were asked. There starting/warm-up questions were the same for every respondent, apart from that there were some questions which were followed up with the entire sample in order to obtain a complete picture.

During the interview, the researcher noted down facts and codes and ticked them off against the list of issues to be covered. The interviewer constantly looked at the notes and issues ticked, and asked a couple of questions in order to complete open issues that hadn't been touched yet, if this made sense, and kept the respondent going. As soon as the answers were fading or became shorter and thinner, and were no longer flowing unprompted, the interviewer turned to the *still open follow-up questions*, thanked the respondent, asked again whether they were any questions the interviewee had, and closed the interview, thanking them again.

At the end of the larger proportions of narratives and storytelling, before the follow-up questions were asked, nearly all the main themes and sub-nodes had usually already emerged. The questions were designed to engage and invite a narrative with unprompted information, and not to obtain as many detailed answers to specific questions or behaviours as possible. The interviewee was to guide the interviewer, setting the priorities; the interviewer, however, tried to complete views on certain aspects in order to make sure a few issues of interest were followed up with the entire sample. Hence, certain issues and facts not previously mentioned in an unprompted manner were tested by specifically asking for them. All new and interesting issues were also followed up by checking the narrative for other appearances or, if it was felt to be an important issue, by asking follow-up questions.

Issues were then either further maintained or dropped depending on their overall significance in the remaining sample. Through this process, during the first

10 interviews, the number of topics rose dramatically and no entirely new aspects in regard to the main issues covered in this book emerged after interviewing 40 respondents. It is important to note that the questions had no specific order and that they were asked as it made sense, guided by the narrative. The interviewer took notes, looking at the blank fields and checking for issues now appropriate to ask within the current narrative, topic, and context.

The notes of seemingly important statements were read to the respondent in order to verify that the statement was correct. As explained in Chap. 5 and Appendix, by no means were all issues followed up until the end; many items appeared and disappeared after enough respondents had explained the backgrounds to some issues satisfactorily and beyond saturation. Only the main items used for this research study were carried through the entire sample in order to collect all opinions.

There were two clipboards: one for the open narrative and one for the follow-up questions. The original structure of the interviews on the clipboards was in German—given here is a translation.

Respondents were approached by roaming the factory at random, asking whether the person met accidentally knew the interviewing project and had the time and willingness to participate. There was a list of shifts and departments in order to ensure an even distribution of the sample. Accordingly, during the last 4 days of interviewing, only certain shifts and departments were visited.

A quiet corner, the booth of the shift leader or a separate room nearby was looked for and the interview began. Occasionally the respondent had no time now, and a time for a later meeting was agreed. In all but one of those cases, where the interview started just 5 min later, those interviews did not happen, as the interviewer was already engaged in other interviews at the agreed time. Apologies were made. However, there is a potential that a mental preparation time for the interviewing process might lead to different priorities and results.

All respondents were thus interviewed spontaneously and the integrity of the same conditions for all interviews is important for the quality of the interviewing process, this researcher strongly believes.

Most employees were approached during process breaks, idle times, and setup changes; however, the respondent usually informed the superiors that an interview was taking place, as interviews lasted generally at least 45 min. The interviewer heard repeatedly that he should not keep people from their jobs, but as the interviews were officially given the green light by the board and HR, such objections were minimal. Almost 100% of the persons approached were willing to participate.

The initial questions in all interviews were ‘What is your role?’ and ‘How is it working here?’, which usually started a narrative of up to five minutes, already leading to a wealth of input and many clarifying questions. Usually, many of the issues on the list had already been mentioned during the initial opening and follow-up questions, and were immediately followed up, jumping back and forth across the questions and issues/codes list. With more and more interviews, the list of issues/

codes grew. The follow-up questions then were more direct, such as ‘What happens when you apply for days off or annual leave?’. Or, if internal competition had been mentioned and no comment had been made so far, a typical question was ‘What is your view on the performance of the various factories within the group?’ or (depending on hierarchy) ‘How do you experience your relationship with your shift leader, department leader, factory head?’ If no information relating to the remaining issues on the list came up, questions were asked in regard to the issues on the list.

All narratives were followed up with probing and clarifying questions. New issues were then integrated into the ‘issues list’ on an ongoing basis. New issues were kept if they were cross-departmental issues or in other ways relevant or dropped if only relevant for one or a few individuals. All relevant issues, critical incidents, and leadership issues were verified by asking all other remaining respondents about such overarching incidents.

The following tables describe the content by which the interviews were structured. In the beginning, biographical and procedural input was collated (see Table 1).

**Table 1** Checklist and biographical data

Checklist issue/questions	Notes/Remarks
Respondent knows about the interviewing project, has read the announcement, or was briefed in a team meeting	Was the case in 100 %
Respondent is willing to participate on a voluntary basis	Just one respondent refused
Explanation: how anonymity is ensured and what will be reported, the aggregation, and that there will be no list of who participated	
Does the respondent have any further questions?	If no questions, collecting biographical data started
Department the respondent works in	Fixed list
Job role and status (worker, leader/level, admin staff)	Fixed list
Job tenure with the company	5 year cohorts
Jobs and experience before coming to researched company, comparison with this company (very often respondents were jumping right into the narrative at this point already)	<i>Used as 1st question if job change was &lt;2 years</i>
Name, in case the interviewer needs to come back with another question	(Was given in 100 % of the interviews)

The approach using inductive categorisation required the construction of issues and codes from the very first interview. After each interview, main issues and how they were expressed in codes were noted and marked for following up, with unspecific questions first in order to retrieve unprompted information, then in following-up question directly asking for views on such issues. The interviews quickly grew in length. Altogether, more than 50 main issues, which were at the heart of the in-depth interviews, were identified.

All interviews followed the same structure, which included the following opening questions (see Table 2):

**Table 2** Warming up questions/questions prompting narratives and codes

Questions	Notes/Remarks
<i>3 or 4 warming-up questions</i>	(All interviews started this way)
You mentioned that before coming here you were working for... how would you compare your experience so far?	(Where appropriate, this was the starting question)
What is it you do in the company?	Normally the starting questions 1–3
How is it working here?	
Tell me a bit about the history of your department/the plant...	
<i>Typical probing and follow-up questions</i>	Reaction on narratives; always asking for examples
Can you give an example for what you just described?	
You just mentioned... What happens when you...?	Typical follow-up question aiming to obtain examples of a described behaviour, process, activity, issue
What is your opinion concerning... – The internal competition you just mentioned? – Lack of appreciation – Declining motivation – Bad leadership behaviour you described – Stealing waste – Competitive strength of factory/company – Work climate	Typical following up/probing questions...
You stated that (incident, example etc)... what happened? ... How did you come to this conclusion?	
<i>Questions for the entire sample</i>	All respondents were asked these questions
What works well here?	This question more often than not led to narratives with examples of issues perceived as not going well
How do you inform yourself about – News within the company – About the strategy of the company? Do you read the intranet – Employee magazine – Blackboard – Other sources? How do the departments communicate with each other? What do you know about the strategies of this company?	Communications
What is the 'character' of leadership you are experiencing?	Needed to be followed up rarely, came mostly unprompted

(continued)

**Table 2** (continued)

Questions	Notes/Remarks
How are you appreciated?	Needed to be followed up rarely, came mostly unprompted
How is the climate in the factory? How is this developing?	Needed to be followed up rarely, came mostly unprompted
The shift system has been changed recently. . .	This had to be triggered in most cases. In few cases, no answer came up, and it was then followed up with the question “Which shift system was working better for you, the old one or the new one?”
There is a discussion in the factory concerning deferred periods. . . .	This had to be triggered in most cases. In ca. half of the cases, no answer came up, and the question was asked “Are deferred periods abused?”
Does working here affect your health?	This led to many narratives and follow up questions, particularly questions aiming to establish a link to forms of bad leadership when this issue came up

Sometimes, the interviewer said nothing if the last sentence was particularly interesting; tactical silence was used to have the respondent carry on, usually on a much deeper and even more engaged level. This worked very well (see Sects. 4.5 and 4.6 on the theoretical background of the interviewing process). If the answers did not mention any of existing codes or issues which were deemed to form a new code or issue worth pursuing, they were obviously not so important for respondents. It was not the goal of the interviews to follow up with as many questions as possible, but to identify those issues most relevant for the sample.

Typically, many issues came up in the narrative without having to probe for them. A strong distinction between codes and sub-codes was not possible, as many issues were closely related, and the starting point could be one of many available coded issues. The following table list some of the most frequent issues and the codes which have been used to identify them, using vignettes which the respondents frequently used (‘nose factor, nose money, old boy’s’). If any of these issues came up unprompted, follow up questions on perceptions and examples were asked.

The most important issues were followed up with questions probing for these issues; these questions typically began with opening statements like: “You have just mentioned. . . what does this mean for the way you operate. . . . (or) your motivation. . . what do you think about . . .product quality. . .cooperation with department 2, what is your view on. . .? etc. What is your view concerning other factories in the company? How is your relationship with your direct supervisor? How would your colleagues describe. . .?” (See Table 3).

**Table 3** Follow-up issues with frequent codes and sub-codes

Issue (new/old)	Main codes/sub issue codes
Examples of described good/bad leadership behaviour given?	<ul style="list-style-type: none"> <li>• Favouritism</li> <li>• ‘Old Boy’s network’</li> <li>• Shouting</li> <li>• Blaming</li> <li>• ‘Nose factor’</li> <li>• Blackmailing</li> <li>• ‘Unfair’ behaviour</li> <li>• ‘Unethical’ behaviour</li> <li>• ‘Unjust’ behaviour</li> <li>• ‘Old boy’s’</li> <li>• Nepotism</li> <li>• ‘Nose money’</li> <li>• ‘Dirty work’</li> <li>• Granting holidays</li> <li>• Responsiveness</li> <li>• Pet employees</li> <li>• Unjust accusations</li> <li>...</li> </ul>
Leadership described?	<ul style="list-style-type: none"> <li>• Appreciation</li> <li>• Pressure</li> <li>• Internal competition</li> <li>• Reporting issues</li> <li>• Trust</li> <li>• Integrity</li> <li>• Characteristics of leadership</li> <li>• Implications on health</li> <li>• Team spirit</li> <li>• Would love to leave</li> <li>• ‘Who rules?’</li> <li>...</li> </ul>
Projects	<ul style="list-style-type: none"> <li>• Work safety</li> <li>• New product development</li> <li>• Knowledge management</li> <li>• Too many projects going on</li> <li>• Bad planning</li> <li>• ‘Preach water, drink wine’ (leaders don’t walk their talk)</li> <li>...</li> </ul>
Operational context	<ul style="list-style-type: none"> <li>• Cost pressures</li> <li>• Bad planning, deteriorating planning; ‘more planners than doers’</li> <li>• Each manager hired, 5 of us have to go</li> <li>• Internal competition</li> <li>• Quantity versus quality</li> <li>• Forms of bad leadership</li> <li>• Motivation goes down</li> <li>• Competition with China</li> <li>• New product development</li> <li>• Product ‘X’ callback issue</li> <li>• The ‘Doctors’</li> </ul>

(continued)

**Table 3** (continued)

Issue (new/old)	Main codes/sub issue codes
	<ul style="list-style-type: none"> <li>• Lack of cooperation, war between departments</li> <li>• Illness rate way too high</li> <li>• Too much pressure</li> <li>• The new shift system</li> <li>• Bad shifts (and what they do)</li> <li>• Shift handover training</li> <li>• Maintenance problems</li> <li>• Deferred periods</li> <li>...</li> </ul>
Quality	<ul style="list-style-type: none"> <li>• Quality issues</li> <li>• Machine speed</li> <li>• Machine operations</li> <li>• Philosophy</li> <li>• Heritage quality</li> <li>• Quality control can't keep up</li> <li>• 'The Doctors'</li> <li>• War against workers</li> <li>• Quality versus quantity</li> <li>• Culture change</li> <li>• Heritage was different</li> <li>• Pride in quality</li> <li>• Unclear strategies</li> <li>• Competition with China</li> <li>• Lost trust in board</li> <li>• 'x per minute' (performance measurements)</li> <li>• 'Tolerate more mistakes!'</li> <li>• Men per machine crew</li> <li>• 'Can't take a leak'</li> <li>• Pressure makes ill</li> <li>...</li> </ul>
Culture, climate, general mood described?	<ul style="list-style-type: none"> <li>• We-feeling</li> <li>• Work climate</li> <li>• Well-being</li> <li>• Leadership culture</li> <li>• Leadership climate</li> <li>• Perceived leadership issues</li> <li>• – 'Us against them'</li> <li>• – White versus blue collar</li> <li>• Good machine operators become bad shift leaders</li> <li>• Shift leaders do not work anymore</li> <li>...</li> </ul>
Product (X) incident mentioned?	<ul style="list-style-type: none"> <li>• Product tests</li> <li>• Recipe change</li> <li>• New products</li> <li>• The 'Doctors'</li> <li>• Production issues</li> <li>• Ingredients not tested anymore</li> <li>• Environmental ingredient issues</li> <li>...</li> </ul>

(continued)

**Table 3** (continued)

Issue (new/old)	Main codes/sub issue codes
Issues in regard to quality, machine speed etc. mentioned?	<ul style="list-style-type: none"> <li>• Quality issues</li> <li>• Machine operations</li> <li>• Operational pressure</li> <li>• Performance measurements</li> <li>• Manning of crews</li> <li>• Absence and illness leave impacts performance</li> <li>...</li> </ul>
Performance management/measurement	<ul style="list-style-type: none"> <li>• Production outcome</li> <li>• Target pressure</li> <li>• Quality issues</li> <li>• Cheating on waste</li> <li>• Lack of cooperation</li> <li>• Lying on waste, cooking books</li> <li>• Internal competition</li> <li>...</li> </ul>
Maintenance	<ul style="list-style-type: none"> <li>• Communication between depts.</li> <li>• Planning issues</li> <li>• Running machines on crash</li> <li>• Preventive maintenance</li> <li>• Repairing for no reason ('Doctors')/planners</li> <li>• Cost cutting</li> <li>• Leadership issues</li> <li>...</li> </ul>
Internal competition mentioned?	<ul style="list-style-type: none"> <li>• Opinion</li> <li>• 'Apples and pears' comparison</li> <li>• Pressure</li> <li>• Blackmailing</li> <li>...</li> </ul>
Fights between leaders	<ul style="list-style-type: none"> <li>• Names/Departments involved</li> <li>• Incidents</li> <li>• Impact on others</li> <li>...</li> </ul>
Motivation mentioned?	<ul style="list-style-type: none"> <li>• Development</li> <li>• Work climate</li> <li>• Group climate</li> <li>• Leadership culture</li> <li>...</li> </ul>
Cooperation	<ul style="list-style-type: none"> <li>• Existent—examples, causes</li> <li>• Non existent—examples, causes</li> <li>• Typical conflicts</li> <li>...</li> </ul>
Coordinaton	<ul style="list-style-type: none"> <li>• Leadership behaviour</li> <li>• Communications behaviour</li> <li>• Systems deployed</li> <li>• Acceptance of systems deployed</li> <li>...</li> </ul>
Issues with maintenance, bad co-operation mentioned?	<ul style="list-style-type: none"> <li>• Bad planning</li> <li>• Lack of communication</li> <li>• Unnecessary repairs when really recipes were</li> </ul>

(continued)

**Table 3** (continued)

Issue (new/old)	Main codes/sub issue codes
	faulty <ul style="list-style-type: none"> <li>• Cost cutting</li> <li>• Lost being led by engineers</li> <li>• More planners then doers</li> <li>• War between departments</li> <li>• Cost of staff? Parts?</li> <li>• Controllers rule</li> <li>• Machines run on crash</li> <li>• No-one cares anymore</li> </ul> ...
Deferred periods and calling in sick mentioned?	<ul style="list-style-type: none"> <li>• Reasons</li> <li>• Abused</li> <li>• Leaders make me ill</li> <li>• How often does this happen</li> <li>• Pulling the plug</li> <li>• £40 incentive</li> <li>• Calling in sick is 'self-defence'</li> </ul> ...
'The old boys'	<ul style="list-style-type: none"> <li>• Favouritism, 'nose factor' etc.</li> <li>• Nepotism</li> <li>• Trust</li> <li>• Inner circle</li> <li>• Unfair leadership behaviour</li> </ul> ...
Health issues	<ul style="list-style-type: none"> <li>• Deferred periods</li> <li>• Absenteeism</li> <li>• Abuse of deferred periods</li> <li>• Lifting aids, ergonomics</li> <li>• Work safety</li> <li>• Bad leadership makes ill</li> </ul>
Leadership presence	<ul style="list-style-type: none"> <li>• Never see leaders</li> <li>• Leaders only show up when problems occur</li> </ul> ...
Historical facts	<ul style="list-style-type: none"> <li>• Stories of the past</li> <li>• Heritage of the plant</li> <li>• Want the old head of manufacturing back</li> </ul> ...
Incentives	<ul style="list-style-type: none"> <li>• Rewards (performance measurements etc.)</li> <li>• Policies (waste etc.)</li> <li>• Withheld incentives</li> <li>• £40 incentive</li> <li>• 'Nose money'</li> <li>• Promotions</li> <li>• Internal applications, selection</li> </ul> ...
'Punishments'	<ul style="list-style-type: none"> <li>• Written notices, prompt notes</li> <li>• Shouting</li> <li>• Public exhortation</li> <li>• Blackmailing (favours, granting holidays)</li> </ul>

(continued)

**Table 3** (continued)

Issue (new/old)	Main codes/sub issue codes
	<ul style="list-style-type: none"> <li>• Pay grades</li> <li>• Unfair behaviour</li> <li>• Unjust comments</li> <li>• Unjust processes</li> <li>...</li> </ul>
Product 'X' callback issue	<ul style="list-style-type: none"> <li>• Recipe changes</li> <li>• Flawed strategies</li> <li>• Flawed NPD processes</li> <li>• Culture change</li> <li>• Tests ruin performance</li> <li>• Lack of information</li> <li>• Financial impact</li> <li>• Lost trust in board</li> <li>• Competition with china</li> <li>• Internal competition</li> <li>...</li> </ul>

This list, as well as the checklist with the main issues, was updated after each interview. A section with new or emerging questions was taken into the next interview, in order to pursue new issues or further clarify and check existing narratives (see Table 4).

**Table 4** Current specific follow up questions (version 40)

Questions	Notes/Remarks
How do you learn about news in the company?	
Have you heard of the £40 incentive for not calling in sick?	
How do you perceive the technical environment in the plant?	Looking for narrative with cues on maintenance, co-operation, repairs, technical planning, and communication between departments.
Has work in the factory become any different?	(Aiming at 'more pressure')
Your view on the bonus scheme	'Nose money' and other codes; new codes?
What is your view on deferred periods?	
Have you heard about the shift handover training?	('Must' question if leader)
Your view on work safety?	
Is your health affected by working here?	

New questions and other issues emerging from interview 40 (Dept. Leader):

- *New first time mentioning*: Respondent mentioned that there are now more meetings between department heads in order to improve things. Other department and deputy department leaders so far did not mention these new meetings.

Did this improve co-operation, communication etc.? Ask other leaders about this issue, if not mentioned. (Once followed up, this was mentioned unprompted and prompted in further interviews, however was more seen as a sign of goodwill than showing real effects; on the contrary, the meetings were used as a sounding board for personal conflicts between department heads that had quarrels even more often than before. After several mentions, this issue was no longer prompted and not followed up actively anymore.)

- Board member XY is much disliked in the factory. Third time this came up—keep in mind, especially with leaders, drill deeper for reasons. (Board member XY was responsible for the processes related to the product (X) incident, as it turned out in further interviews. After reaching saturation (background was fully explained), this issue was dropped, as it carried no real relevance.)
- Machine group 2 and machine group 3 are in a ‘serious, bloody’ war about bad quality passed from dept. 2 to dept. 3—describes this much more negative and even more serious than other members of his department. Issue is already bad—but so bad? Specific view of a leader, singular view, or do others view it the same way, when probed? *Action: Check members of machine groups 2 and 3 for their views in the coming interviews.*

Owing to the flexible nature of the interviews, which followed the flow of input from respondents, no two interviews were identical, and the sequence of the questions followed the narrative. However, the items and issues discussed and opinions expressed were often similar and consistent. The expressions used were also often identical, and where they were differing, the meaning was essentially the same, which was established by asking for clarification if a perception was felt to be not described explicitly enough.

Concerning replicability: if another interviewer were to have conducted the interviews, provided the same level of rapport and trust can be obtained, the results are judged identical in content and meaning.

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